

BEFORE THE
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY)	DOCKET NO.
d/b/a Ameren Illinois)	12-0293
)	
)	
Rate MAP-P Modernization Action)	
Plan - Pricing Annual Update)	
Filing.)	

Springfield, Illinois
Wednesday, September 12, 2012

Met, pursuant to notice, at 10:00 a.m.

BEFORE :

MR. JOHN ALBERS, Administrative Law Judge
MR. J. STEPHEN YODER, Administrative Law Judge

APPEARANCES:

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I N D E X

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PROCEEDINGS

JUDGE ALBERS: By the authority vested in me by the Illinois Commerce Commission, I now call Docket Number 12-0293. This docket was initiated by Ameren Illinois Company d/b/a Ameren Illinois. The petitioner seeks approval of its Rate MAP-P Modernization Action Plan-Pricing annual update filing.

May I have the appearances for the record, please?

MR. FITZHENRY: Yes. On behalf of Ameren Illinois Company, Edward Fitzhenry and Matt Tomc, 1901 Chouteau Avenue, St. Louis, Missouri 63166-6149.

MR. STURTEVANT: Also appearing on behalf of Ameren Illinois Company, the law firm of Whitt Sturtevant, L.L.P., Mark Whitt, Albert Sturtevant, Christopher Kennedy and Rebecca Segal. The address is 180 North LaSalle Street, Suite 2001, Chicago, Illinois 60601.

MR. LANNON: And appearing on behalf of the Staff of the Illinois Commerce Commission, Mike Lannon, Jim Olivero, and Nicole Luckey, 160 North

1 LaSalle Street, Chicago, Illinois 60601.

2 MS. LUSSON: On behalf of the People of the
3 State of Illinois, Karen Lusson, L-U-S-S-O-N, Tim
4 O'Brien, and Susan Satter, S-A-T-T-E-R, 100 West
5 Randolph Street, 11th floor, Chicago 60601.

6 MS. SODERNA: Appearing on behalf of the
7 Citizens Utility Board, Julie Soderna and Orijit
8 Ghoshal, G-H-O-S-H-A-L, 309 West Washington, Suite
9 800, Chicago, Illinois 60606.

10 JUDGE ALBERS: Would you spell your
11 co-counsel's full name, please.

12 MS. SODERNA: Sorry. Orijit is O-R-I-J-I-T and
13 Ghoshal is G-H-O-S-H-A-L.

14 MR. COFFMAN: Appearing on behalf of AARP, John
15 B. Coffman, 871 Tuxedo Boulevard, St. Louis, Missouri
16 63119.

17 JUDGE ALBERS: Thank you. Any others wishing
18 to enter an appearance?

19 (No response.)

20 Let the record show no response.

21 Any preliminary matters for the
22 record today?

1 (No response.)

2 All right. Hearing none, we have a
3 witness list provided by the parties. The ones for
4 today are Mr. Nelson, Mr. Heintz, Ms. Lord, Mr. Kahle
5 and Ms. Pagel. Did I say that right?

6 MR. FITZHENRY: Pagel.

7 JUDGE ALBERS: Pagel. My apologies. All those
8 that are in the room, we will go ahead and swear you
9 in at once. Would you all please stand and raise
10 your right hand.

11 (Whereupon the witnesses were
12 duly sworn by Judge Albers.)

13 JUDGE ALBERS: According to our schedule
14 Mr. Nelson is first.

15 MR. FITZHENRY: The Company calls Mr. Craig
16 Nelson to the stand.

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CRAIG NELSON

called as a witness on behalf of Ameren Illinois
Company, having been first duly sworn, was examined
and testified as follows:

DIRECT EXAMINATION

BY MR. FITZHENRY:

Q. Good morning, Mr. Nelson. Would you please
state your name and your title and your business
address for the record.

A. Sure. I am Craig Nelson. The title is
Senior Vice President - Regulatory Affairs and
Financial Services. My address is 300 liberty
Street, Peoria, Illinois 61602.

Q. Mr. Nelson, have you caused to be prepared
for submission in the record in this proceeding
certain testimonies?

A. Yes, I have.

Q. I show you what has been previously marked
for identification as Ameren Exhibit 9.0 titled
Rebuttal Testimony of Craig D. Nelson and ask if that
is your rebuttal testimony for submission?

A. Yes, it is.

1 Q. Do you have any corrections or changes to
2 that testimony?

3 A. I do not.

4 Q. And does that testimony consist of 15 pages
5 of questions and answers and an Appendix A?

6 A. Yes.

7 Q. If I were to ask you --

8 A. I am sorry, counsel, I don't think there is
9 appendix on the rebuttal.

10 Q. There is an appendix that provides for your
11 statement of qualifications?

12 A. Yes, thank you, there is.

13 Q. If I were to ask you the questions that are
14 set forth in your testimony, would you give the same
15 answers?

16 A. Yes, I would.

17 Q. Now I ask you to turn your attention to an
18 exhibit titled the Surrebuttal Testimony of Craig D.
19 Nelson and ask if that is your surrebuttal testimony
20 for submission in this proceeding?

21 A. Yes.

22 Q. Do you have any corrections or changes to

1 that testimony?

2 A. Yes, I have four minor corrections.

3 Q. Could you please identify those
4 corrections?

5 A. Yes. If you will notice on the cover page
6 and the table of contents, my testimony is labeled
7 Ameren Exhibit 18.0. Then if you look at the body of
8 my testimony from pages 1 through 21, it is labeled
9 Exhibit 9.0. So we need to strike the 9.0 and
10 replace it with 18.0 on pages 1 through 21.

11 Q. Any other changes?

12 A. The other change, the next change is on
13 line 234 of my testimony. And on line 234 I say,
14 "Yes, HR 1175." I should have said "HR 1157."

15 And then two more changes. One is on
16 line 284. There is a missing Q in front of a
17 question, and then on line 285 there is a missing A
18 in front of the answer.

19 Q. Does that complete the changes?

20 A. Yes, it does.

21 MR. FITZHENRY: Now, Your Honors, I think some
22 of these changes have been reflected in an errata

1 that was previously provided and in fact Mr. Nelson's
2 testimony is Ameren Exhibit 18.0 Revised.

3 Q. Mr. Nelson, if I were to ask you the
4 questions that are set forth in your testimony with
5 the changes that you have identified, would you give
6 the same answers?

7 A. Yes, I would.

8 Q. And to be complete, the rebuttal testimony
9 and surrebuttal testimonies are your sworn
10 testimonies for this docket?

11 A. Yes, they are.

12 MR. FITZHENRY: At this time, Your Honors, I
13 move for the admission of -- let me go back a step.

14 Q. You also sponsored an Ameren Exhibit 18.1?

15 A. Yes, I did.

16 Q. And is that true and complete to the best
17 of your knowledge?

18 A. Yes, it is.

19 MR. FITZHENRY: Thank you. Sorry for the
20 diversion. Your Honors, at this point in time we
21 move for the admission of Ameren Exhibit 9.0
22 including Appendix A as well as Ameren Exhibit 18.0

1 Revised and 18.1, and Mr. Nelson is available for
2 cross examination.

3 JUDGE ALBERS: Any objections at this time?

4 (No response.)

5 We will address the admissibility
6 following the cross examination. Who would like to
7 go first?

8 MR. LANNON: I think I would, Your Honor.

9 JUDGE ALBERS: Go ahead.

10 MR. LANNON: And first I would like to put into
11 the record what I am going to label Staff Cross
12 Exhibit 1 which is a Staff data request TEE 10.02 and
13 the response that was prepared by Mr. Nelson, and I
14 don't believe the Company has any objections to it.

15 JUDGE ALBERS: Off the record while you are
16 handing that out.

17 (Whereupon there was then had an
18 off-the-record discussion.)

19 (Whereupon Staff Cross Exhibit 1
20 was marked for purposes of
21 identification as of this date.)

22 MR. LANNON: And, Your Honors, I can formally

1 move that into the record at the end of the cross, if
2 you prefer. I am going to have at least one more
3 cross exhibit.

4 JUDGE ALBERS: Go ahead and wait until the end
5 then.

6 CROSS EXAMINATION

7 BY MR. LANNON:

8 Q. Good morning, Mr. Nelson. How are you?

9 A. Good morning. I think I am doing fine.

10 Q. All right. I am Mike Lannon. I represent
11 Staff. I have a few questions for you.

12 Could you turn to Ameren Exhibit, I
13 think you said it was, 18.0, not 9.0, page 17?

14 A. Okay, I am there.

15 Q. And at line -- I think it begins on line
16 352 through 354, 355. You say -- and I am
17 paraphrasing here; I am not going to read to you all
18 the language in it. But essentially what I am
19 interested in is your statement that a number of
20 Ameren witnesses in 11-0279 did not have extensive
21 experience testifying before the Commission. Is that
22 correct?

1 A. That's correct.

2 Q. Okay. And then you name four Ameren
3 witnesses, is that correct?

4 A. Yes, I did.

5 Q. And those are Mr. Martin, correct?

6 A. Yes.

7 Q. Mr., is it, Pate?

8 A. Correct.

9 Q. Mr. Getz?

10 A. Yes.

11 Q. And Mr. Menke, correct?

12 A. Ms. Menke.

13 Q. Excuse me, Ms. Menke. And this is an issue
14 concerning whether a certain consulting company, CCA,
15 whether some of their costs should be discounted, is
16 that correct?

17 A. What do you mean by discounted?

18 Q. Well, Staff is proposing to discount at
19 least some or all of the CCA costs for litigation
20 preparation?

21 A. Is your question -- is the intent of your
22 question Staff is trying to disallow the costs?

1 Q. That's correct. That's our position.

2 A. Yes, I understand Staff is trying to
3 disallow some or all of the costs for CCA charges,
4 yes.

5 Q. Okay. Now, can you tell me how you arrived
6 at your conclusion that at least four of these Ameren
7 witnesses aren't experienced?

8 A. From my personal knowledge of these
9 witnesses and their background.

10 Q. Okay. Can we first deal with Mr. Martin?

11 A. Happy to, yes.

12 Q. What is it that you know about Mr. Martin
13 that would lead you to believe he is not experienced?

14 A. He is a relatively new hire to our company.
15 I think he has only been with the Company a few
16 years, and I believe he has only been in his current
17 position for a year, a little over a year. And I
18 remember personally talking to him about testimony
19 and the difficulty in preparing testimony and the
20 difficulty of cross examination and so on. So those,
21 personal experience with him, knowledge of him and
22 discussions with him.

1 Q. And you would have these discussions with
2 Mr. Martin, and presumably the other three, because
3 of your position with the Company now, correct?

4 A. Yes.

5 Q. And can you tell me what that position is?

6 A. Senior Vice President - Regulatory Affairs
7 and Financial Services.

8 Q. And you -- in that position do you manage
9 rate cases? Is that one of your responsibilities?

10 A. I wouldn't say I manage them.
11 Mr. Fitzhenry and Mr. Mill actually manage the rate
12 case. But I am the officer responsible for the rate
13 case, yes.

14 Q. I believe you said that Mr. Martin was a
15 new hire and I believe you said hired in the last few
16 years, is that right? Is my memory right?

17 A. Yes, that's my recollection. He's been
18 with the Company a few years.

19 Q. By few do you mean two or do you mean
20 three?

21 A. Three. He came from a public accounting
22 background, started in our controller area and now is

1 in our treasurer's area.

2 Q. And do you know how many rate cases he has
3 worked on in those few years?

4 A. One or two. At least two.

5 Q. Okay. Just so the record is clear, you are
6 testifying that he worked on at least two rate cases,
7 is that correct?

8 A. Let me be precise. I know that he
9 testified in the consolidated future test year case
10 that is at issue here, and I know he is testifying in
11 three. He is testifying in our initial formula rate
12 case and then in our annual update case.

13 Q. So that would be Dockets 12-0001?

14 A. Correct.

15 Q. And 11-0 -- what was that -- 279 and would
16 the third case be this matter?

17 A. Yes, and I believe we are discussing the
18 costs from Docket 11-0279.

19 Q. That's correct.

20 A. And I think that was the first testimony
21 for that witness.

22 Q. Okay. And I believe -- you know, I forget,

1 you told me what his background was. I believe it
2 was accounting?

3 A. Public accounting.

4 Q. Public accounting. Had he ever worked in
5 the regulated -- for a regulated utility before
6 coming to Ameren?

7 A. I am not positive, but I don't think so.

8 Q. Do you know had he ever testified before an
9 administrative body such as the Commission before he
10 came to Ameren?

11 A. I do not know.

12 Q. Did he ever file testimony or appear before
13 a federal administrative agency, say, like the FERC?

14 A. I don't know.

15 Q. Okay. Now, how about Mr. Pate? Can you
16 tell me how long he has been with the Company?

17 A. Mr. Pate has been with the Company, I am
18 not exactly sure, but over 20 years would be my
19 guess, a long time employee of Illinois Power and
20 then Ameren Illinois.

21 Q. And before he was with Illinois Power or
22 Ameren Illinois, did Mr. Pate have any other

1 experience that you are aware of in the utility
2 field?

3 A. I don't know.

4 Q. Do you know in how many proceedings
5 Mr. Pate has either filed testimony or appeared as a
6 witness in front of the Illinois Commerce Commission?

7 A. I don't know the number of times he has
8 testified. I do not know, however, that prior to
9 this case he had not testified for what I would
10 characterize as a long period of time. I remember
11 discussing with him testimony in this future test
12 year case, what his role would be, what his
13 responsibilities would be, etcetera.

14 Q. Okay. Could you help me and perhaps help
15 the record in I would like to narrow in on what a
16 long period of time is. Can you further clarify
17 that?

18 A. I don't think Mr. Pate has testified since
19 the acquisition of Illinois Power. And it is 2011 in
20 this instance and I believe IP was acquired in the
21 2005 area, about close, 2006, somewhere in that,
22 mid-2000s.

1 Q. Let me ask you this then. I think you may
2 have already given it, the answer to this. Is the
3 .11-0279 case the first case Mr. Pate has testified in
4 after the purchase, after Ameren Illinois became
5 Ameren Illinois?

6 A. I think it is, but I am not absolutely
7 positive. I know he has not testified in any rate
8 cases since the acquisition.

9 Q. Are you familiar with a past Ameren rate
10 case Docket 09-0306?

11 A. Yes, I am.

12 Q. And do you recall whether Mr. Pate
13 testified in that docket specifically?

14 A. Not for sure.

15 Q. Okay. So if I were to say in fact that my
16 client tells me he did, would you dispute that?

17 A. As I said, I am not positive whether he did
18 or not.

19 Q. Thank you. And do you know whether
20 Mr. Pate has filed testimony or appeared before any
21 other state commission such as the ICC, maybe the
22 Missouri commission?

1 A. I do not.

2 Q. Do you know whether he has ever appeared or
3 testified in front of a federal agency such as the
4 FERC?

5 A. I do not.

6 Q. All right. Let's move on to Mr. Getz. I
7 am going to go through the same line of questions.
8 Do you know when Ameren hired Mr. Getz?

9 A. Mr. Getz worked for CILCO before the
10 acquisition of CILCO. Once again, I think he has
11 more than 20 years of experience.

12 Q. Okay. Let's just stop right there because
13 can you tell me what CILCO stands for? It is Central
14 Illinois something.

15 A. Central Illinois Light Company.

16 Q. Thank you. And I believe you said he has
17 worked for Ameren and/or CILCO for roughly 20 years?

18 A. I said at least 20 years.

19 Q. At least 20 years. Do you know if he
20 worked anywhere else in the utility field before
21 coming to CILCO?

22 A. I do not.

1 Q. Do you know how many rate cases he has
2 testified or filed testimony in here at the Illinois
3 Commerce Commission?

4 A. I do not.

5 Q. Are you aware if -- are you aware that --
6 excuse me. Let me restate that.

7 Do you know whether his testimony and
8 appearance in Docket 11-0279 was his first time
9 appearing as a witness before the Illinois Commerce
10 Commission?

11 A. No, I do not.

12 Q. Did you have a conversation with Mr. Getz
13 like you described having with Mr. Martin?

14 A. Yes. Well, I did have a conversation with
15 Mr. Getz in regard to testifying in this future test
16 year case, yes.

17 Q. In this case we are in right now?

18 A. I am sorry. No, the future test year case,
19 11-0279, and its companion case, the gas case.

20 Q. And during that conversation did you ask
21 him whether he would like to avail himself of the
22 services of the consultant company, I believe it is

1 CCA?

2 A. I did not ask him that question.

3 Q. Did you recommend that he avail himself of
4 those services?

5 A. Yes, I highly recommended that all of these
6 witnesses and myself and even the experienced
7 witnesses go through that training.

8 Q. Well, what was your basis for recommending
9 that Mr. Getz in particular go through that
10 training? Was it a lack of experience as you have
11 testified before?

12 A. It was a lack of recent experience in
13 testifying before the Illinois Commerce Commission.
14 Once again, I don't know if he has testified before
15 that, but I believe he had not testified for a number
16 of years or he had not testified at all. I don't
17 know which is true.

18 Q. That's really what I was getting at. You
19 know he was inexperienced but you don't know exactly
20 how inexperienced, is that correct?

21 A. I know he had not testified recently. I
22 know that he had concerns about testifying. I know

1 that he attended the training and gained benefit from
2 it.

3 Q. Okay. Are you aware of whether or not he
4 testified in Docket 09-0306 here at the Illinois
5 Commerce Commission?

6 A. I can't remember.

7 Q. Okay. So the same thing, if I were to
8 assert that he was, you wouldn't really dispute that,
9 right?

10 A. I would not dispute it. I don't know for
11 sure.

12 Q. Thank you. Do you know whether Mr. Getz
13 has testified before any other state public utility
14 commission, say the Missouri one?

15 A. I do not know.

16 Q. And do you know whether he has testified in
17 front of any federal agency such as FERC?

18 A. I am not sure.

19 Q. Okay. Okay. Let's turn to Ms. Menke. Did
20 I pronounce that right?

21 A. Correct, Menke.

22 Q. How long has she been employed by either

1 Ameren or its predecessor?

2 A. Ms. Menke is the one I know the least. I
3 know what her duties are. She is in the tax area of
4 our company. She is a tax professional. I know her
5 testimony was in regard to tax, and I believe
6 deferred taxes. Just from my general knowledge I
7 think she has been around a number of years. I would
8 guess I have known her for five to ten, somewhere in
9 there, but I am not sure. But I don't really know
10 what her testifying experience is.

11 Q. So you really don't know how long she has
12 been employed by either Ameren or CILCO, is that
13 correct?

14 A. I don't think she has ever been employed by
15 CILCO. I don't know how long she has been employed
16 by Ameren Services.

17 Q. But by Ameren you think she has been
18 employed somewhere between five and ten years, is
19 that your testimony?

20 A. I said I think I have known her for at
21 least five to ten years.

22 Q. As an Ameren employee, is that right?

1 A. Correct.

2 Q. And you may have answered this before, but
3 let me just go through it for the record. Do you
4 know whether she has testified in front of the
5 Illinois Commerce Commission?

6 A. I do not. I relied on discussions with
7 counsel about the witnesses that in this instance
8 this witness was relatively inexperienced. So I
9 added that to this list of who I thought was
10 inexperienced witnesses.

11 Q. So you did not have, say, the same
12 conversation you had with Ms. Menke that you had with
13 Mr. Martin?

14 A. That is correct.

15 Q. But instead relied upon advice of counsel?

16 A. Correct.

17 Q. So you wouldn't know whether she appeared
18 before FERC?

19 A. I do not know.

20 Q. Okay. Do you consider yourself
21 experienced?

22 A. Somewhat experienced, yes.

1 Q. And did you avail yourself of the CCA
2 litigation school services?

3 A. Absolutely. I know it was very beneficial.
4 I think it helps.

5 Q. I am sorry, I didn't ask you that. I am
6 going to show you a data request from Staff now, if I
7 can find it.

8 May I approach the witness, Your
9 Honor?

10 JUDGE ALBERS: Yes.

11 MR. LANNON: Your Honor, for now I would like
12 to mark this as Staff Cross Exhibit 2.

13 (Whereupon Staff Cross Exhibit 2
14 was marked for purposes of
15 identification as of this date.)

16 BY MR. LANNON:

17 Q. Before we get to this, I just remembered I
18 have got one other area to ask you about. On page 17
19 of Ameren Exhibit 18, we have been talking about the
20 four inexperienced Ameren witnesses that you named,
21 correct?

22 A. Yes, we have.

1 Q. But there were other Ameren witnesses that
2 availed themselves of the CCA litigation school
3 services?

4 A. Yes, there were.

5 Q. Do you have their names?

6 A. I know some of them. I don't have a
7 comprehensive list.

8 Q. Okay. Well, let's start with -- we have an
9 exhibit list here somewhere. Actually, we don't have
10 an exhibit list from the 11-0279 case, so we will
11 have to rely on your memory. Can you tell me the
12 name of one of the other Ameren witnesses that were
13 inexperienced and thus attended the school?

14 A. I believe I can. But let me preface my
15 comments by saying I have been through CCA training
16 twice and so I am not sure which Ameren witnesses
17 attended which sessions. I believe Mr. Stafford who
18 is --

19 Q. I tell you what, let's just stop right
20 there. You attended CCA training twice?

21 A. That's correct.

22 Q. For different dockets or for the same

1 docket?

2 A. No, for different dockets.

3 Q. What was the other proceeding, other than
4 the 11-0279, that you attended CCA training?

5 A. I believe this was the first time for CCA
6 training, but I am not positive.

7 Q. 11-0279 was the first time?

8 A. I think it was, but I am not positive.

9 Q. And the second time would be perhaps for
10 this case, is that correct?

11 A. I am not sure. I am not sure which case it
12 was. I know I have attended twice.

13 Q. And you have attended twice in the last
14 couple of years, would that be right?

15 A. No, not couple of years. I would say -- I
16 would be guessing since I can't remember which docket
17 the CCA training was for. Within the last few years,
18 though, I think.

19 Q. And by few, we mean three?

20 A. Three, yes.

21 Q. Okay. Can you -- oh, I am sorry. I
22 believe you named Mr. Stafford, is that correct?

1 A. Yes, I did.

2 Q. Okay. Do you have -- do you recall any
3 others' names?

4 A. Clearly myself, Mr. Mill.

5 Q. Any other names you recall?

6 A. Not that come to mind. I am sorry,
7 Mr. Jones would be another one.

8 Q. Okay. Just to save time I am not going to
9 ask you the same questions about Mr. Stafford,
10 Mr. Mill or Mr. Jones as I did with the four that you
11 named, although I do believe it is pertinent. But I
12 think the record already gives us a general idea of
13 what we were after. So I will refrain from walking
14 you through that.

15 Can you now turn to what we have
16 marked as Staff Cross Exhibit 2 which is a Staff data
17 response labeled TEE 10.01, and this data request
18 references the same page of your testimony, Ameren
19 Exhibit 18.0, that we have been talking about,
20 correct?

21 A. Yes, it does.

22 Q. And we asked you -- or Ameren, but I

1 believe you were the responsive witness -- well, let
2 me back up.

3 Were you the witness that responded to
4 this data request?

5 A. No, my name is not on it. I was aware of
6 the response, but I did not respond to this one.

7 Q. You were aware of the data request itself,
8 though?

9 A. Yes.

10 Q. And the response was an objection on
11 grounds it was overly broad, seeks information
12 available in the public record. Is that partially
13 correct?

14 MR. FITZHENRY: Your Honor, at this point I am
15 going to object to the line of questioning. It is a
16 legal objection that has been made to this data
17 request response. Counsel is now attempting to
18 bypass the legal objection and the Commission's
19 protocol for dealing with discovery disputes by
20 asking this witness questions about why his lawyers
21 decided to object to this data request.

22 As Mr. Nelson indicated, he was not

1 the person that sponsored this data request response,
2 nor should he be asked questions about it.

3 MR. LANNON: I will withdraw the question, Your
4 Honor.

5 JUDGE ALBERS: All right.

6 BY MR. LANNON:

7 Q. Let me ask you another question, though. I
8 will come right to the point, Your Honor.

9 Why didn't you respond to this data
10 request? You had the knowledge, correct?

11 MR. FITZHENRY: Objection again for the same
12 reasons, Your Honor. I am happy to discuss the
13 reasons for objecting to the data request if Staff is
14 inclined to file a Motion to Compel. At bottom we
15 don't have the information that they are asking for.
16 We have told counsel that it doesn't exist; we can't
17 produce what we don't have.

18 Since Staff is inclined to continue
19 with this line of questioning, I am inclined to tell
20 you that we have offered up a compromise, and it is a
21 standing compromise. If Staff decides to take it, we
22 will comply.

1 JUDGE ALBERS: Any response?

2 MR. LANNON: First, the compromise I don't
3 believe has anything to do with the direct question I
4 am asking. This witness has testified to the matter
5 of this data request here today. He could have
6 provided the information he has testified to today in
7 a partial response to the data request. And then,
8 notwithstanding the objection, could have made the
9 objections and this witness still could have provided
10 the information we went through here today.

11 MR. FITZHENRY: He could not have provided the
12 information because as I told Staff counsel and I am
13 telling you Judges, it doesn't exist.

14 MR. LANNON: Well, he testified to it so it
15 exists in his mind, and now it exists on the record.
16 I am not saying -- I am saying he partially testified
17 to the request.

18 MR. FITZHENRY: Right. And included in the
19 data request is identification of all cases in which
20 the witness was subject to cross examination and
21 filed testimony.

22 MR. LANNON: Right. And he gave us --

1 MR. FITZHENRY: Can I finish, please? Your
2 Honors can imagine what kind of work we would have
3 had to do at Staff's request to go through the
4 e-Docket -- and they could do this themselves -- pull
5 up every witness's name, read every transcript, and
6 try to identify what that subject matter was for
7 cross examination.

8 The point being is we don't have it;
9 we are not obligated to produce something we don't
10 have.

11 MR. LANNON: Well, I have a couple points, Your
12 Honor. If Mr. Fitzhenry says they don't have it, I
13 guess they don't have it. I find it highly unusual
14 that witnesses wouldn't keep track of what they have
15 done but, you know, that's his position. And by the
16 way, I would just point out, if they are as
17 inexperienced as we have heard today from Mr. Nelson,
18 it wouldn't be that hard of a job to collect the
19 information at least to the extent that Mr. Nelson
20 has testified to.

21 MR. FITZHENRY: Can I briefly respond?

22 JUDGE ALBERS: Let me ask a question first --

1 go ahead, Mr. Fitzhenry.

2 MR. FITZHENRY: Well, why he finds it hard to
3 believe that these witnesses don't keep track of the
4 case they have identified in, the reason is because
5 many of these witnesses are one and done witnesses.
6 Ms. Menke I can tell you has only testified one time,
7 and she has gone back to the tax department and we
8 will never hear from her again. There is no reason
9 for her to keep track of the times that she has
10 testified.

11 MR. LANNON: Well, if she has testified only
12 once, I think that she could have provided that
13 information pretty easily.

14 MR. FITZHENRY: The other point I wanted to
15 make is -- I am sure it is unintentional --
16 Mr. Lannon continuously misrepresents Mr. Nelson's
17 testimony. He has identified witnesses he believes
18 to have less experience, but he also says at lines
19 257 through -- or 357 through 359, simply because a
20 witness has experience testifying doesn't mean that
21 he or she cannot benefit from additional testimony
22 preparation.

1 So in part he is responding to Ms.
2 Ebrey's claim that these witnesses have extensive
3 testimony background; he says that they don't, but he
4 is also saying that they also need the additional
5 training and he has given some of the reasons for
6 that.

7 MR. LANNON: I don't know what that has to do
8 with my question.

9 JUDGE ALBERS: Well, first, my question is,
10 Mr. Lannon, what are you seeking here exactly?

11 MR. LANNON: Very good question, Your Honor. I
12 want to move this into the record.

13 JUDGE ALBERS: Well, I have heard from
14 Mr. Nelson some of the information that this DR
15 appears to be asking for. And whether or not Ameren
16 keeps or maintains a list of dockets that the various
17 witnesses have testified in, you know, I'm not saying
18 whether it is necessary or not, but Mr. Nelson does
19 apparently have some knowledge of what's being asked
20 for in that DR.

21 Is simply the end result here you
22 would like to have the cross exhibit admitted into

1 the record?

2 MR. LANNON: That's correct, Your Honor. Yes,
3 the DR and the response, what's marked as Staff Cross
4 Exhibit 2.

5 MR. FITZHENRY: I absolutely object. I mean,
6 this is a discovery dispute. And if Staff was
7 interested in filing a Motion to Compel, they should
8 do so. This is not evidence of anything.

9 MR. LANNON: That's your opinion, I mean.

10 JUDGE ALBERS: Do you have any further cross of
11 Mr. Nelson?

12 MR. LANNON: No, Your Honor, that would be it.

13 JUDGE ALBERS: All right. Staff has nothing
14 further, and you would like to have both Cross
15 Exhibit 1 and 2 admitted into the record?

16 MR. LANNON: Let me rephrase. If Staff Cross
17 Exhibit 1 and 2 are entered into the record, I will
18 have nothing further.

19 JUDGE ALBERS: Okay. I know you object to
20 Cross Exhibit 2. Do you object to Cross Exhibit 1?

21 MR. FITZHENRY: I might, but I won't.

22 JUDGE ALBERS: Okay. I think I have heard all

1 of the arguments then on the admission of Cross
2 Exhibit 2.

3 MR. FITZHENRY: I am sorry?

4 JUDGE ALBERS: Have I heard all of the
5 arguments you care to make on the admittance of Cross
6 Exhibit 2 before I make a ruling?

7 MR. FITZHENRY: The Company may take leave to
8 make a filing. I am not talking about a petition for
9 interlocutory appeal, but we will maybe supplement
10 Mr. Nelson's testimony with additional information in
11 light of your ruling.

12 JUDGE ALBERS: All right.

13 MR. LANNON: That would be welcomed by Staff.

14 JUDGE ALBERS: You are talking about
15 supplemental testimony?

16 MR. FITZHENRY: Yes, supplemental testimony
17 with leave; you would have to grant it.

18 MR. LANNON: I assume that would be
19 supplemental testimony responsive to Staff Cross
20 Exhibit 2?

21 MR. FITZHENRY: Yes.

22 JUDGE ALBERS: All right. Well, not making any

1 comment on any supplemental filing of any kind and
2 having heard the objections, I am admitting Staff
3 Cross Exhibits 1 and 2.

4 (Whereupon Staff Cross Exhibits
5 1 and 2 were admitted into
6 evidence.)

7 MR. LANNON: Thank you, Your Honor.

8 JUDGE ALBERS: All right. Anything further for
9 Mr. Nelson? Ms. Lusson, did you have any?

10 MS. LUSSON: Yes, Your Honor. Thank you.

11 MR. LANNON: Thank you, Your Honor.

12 CROSS EXAMINATION

13 BY MS. LUSSON:

14 Q. Good morning, Mr. Nelson.

15 A. Good morning.

16 Q. If you could turn to page 5 of your
17 rebuttal testimony, please?

18 A. I am there.

19 Q. At line 122, there you discuss your opinion
20 that the formula rate process is more, as I
21 understand your testimony, like a historical than a
22 future test year. Do you see that?

1 A. Are you on rebuttal or surrebuttal?

2 MR. FITZHENRY: Page 6?

3 Q. This is in your rebuttal, I am sorry.

4 MR. FITZHENRY: Page 6?

5 A. I don't see line 122. Are you talking
6 about line 122?

7 MR. FITZHENRY: Page 6.

8 Q. I am sorry, page 6, yes.

9 A. Thank you.

10 Q. So there you discuss your opinion that the
11 formula rate process is more, as I understand it,
12 like a historical than a future test year?

13 A. Yes.

14 Q. Would you agree that the purpose of the
15 reconciliation process under formula ratemaking is to
16 recalculate the revenue requirement for the previous
17 calendar year at issue using actual data from the
18 FERC Form 1 and any Commission prescribed adjustments
19 that might be permissible under Article 9 as
20 referenced under 16-108.5 of the Act?

21 A. At the start of your question did you say
22 the reconciliation?

1 Q. Yes.

2 A. Yes, I agree in general.

3 Q. Would you agree that prior to the passage
4 of the new formula ratemaking approach, utility rates
5 were set using either historical or future test year
6 data and that those rates stayed in effect until the
7 next rate case?

8 A. Yes.

9 Q. So, for example, the rates set in the
10 traditional rate case could be in effect
11 indefinitely, would you agree?

12 A. That's theoretically possible, yes.

13 Q. At least until the utility decides that the
14 revenue is -- the revenues that it is currently
15 receiving are inadequate for it to recover its costs
16 and to produce a reasonable rate of return?

17 A. Is that a question?

18 Q. Yes.

19 A. That's one reason. A second reason would
20 be the Commission could call the Company in if it
21 thought it was earning -- recovering more than it
22 should.

1 Q. And would you agree with me that the
2 purpose of the reconciliation process is to be sure
3 that utility rates provide revenues that remain
4 closely tied to reported actual utility costs for the
5 12-month period being evaluated?

6 A. The purpose of the reconciliation is to
7 recover actual costs, yes.

8 Q. And those costs, those actual costs, are
9 for the reconciliation period being evaluated in that
10 12-month period, would you agree?

11 A. Not as you phrased it. I agree that the
12 reconciliation is to recover -- the cost inputs of
13 the reconciliation are from the filed historical data
14 reflected in FERC Form 1.

15 Q. Okay. And would you agree that this
16 introduction of the reconciliation process into rate
17 regulation in Illinois is a fundamental change in
18 approach to the extent that revenue requirements in
19 Illinois have not previously been subject to annual
20 retroactive reconciliation of costs over a 12-month
21 period?

22 A. Yes. In that one respect it is a change.

1 Q. And would you agree that regulators rely
2 upon a determination of rate base to quantify how
3 much total capital investment that utility should be
4 allowed a return on?

5 A. Yes.

6 Q. And when we think about Ameren's plant
7 additions that will occur over an entire calendar
8 year, would you agree that Ameren will not spend all
9 of the money that it set aside for capital additions
10 and add all of the plant for a particular year on the
11 first day of the year?

12 A. I agree.

13 Q. Would you agree that the spending will be
14 more gradual such that new plant would be added to
15 rate base incrementally throughout the year?

16 A. Yes.

17 Q. Would you agree that the end-of-year
18 amounts elicited in that FERC Form 1 include plant
19 investments that were not in service earlier in the
20 year, say, in the first or second quarter?

21 A. That's possible, yes.

22 Q. Now, if you could turn to page 5 of your

1 surrebuttal testimony?

2 A. I am on page 5.

3 Q. Looking at -- could you review your
4 testimony at lines 103 to 107?

5 A. Yes, I am familiar with that sentence.

6 Q. Now, you state in that instance that the
7 reconciliation will be for the historical year 2012,
8 do you see that?

9 A. Yes, that will be our first reconciliation
10 because that's the first year in which we filed, yes.

11 Q. And would you agree that the previous
12 year's formula rate filing would have created
13 inception rates with 2011 FERC Form 1 actual data in
14 a forecast of plant additions for the full 2012 year?

15 A. That's true in part. Obviously, we filed
16 -- our filing on January 3, 2012, included 2010 FERC
17 Form 1 data with plant additions for 2011-12. And
18 then in the update case, this case, we use 2011 data
19 with 2012 plant additions.

20 Q. So at the time of the calculation of the
21 reconciliation for 2012, the Company will be
22 collecting rates that include the Company's forecasts

1 of total plant additions for 2012 as part of the
2 prior year's inception ratemaking proceeding?

3 A. I don't know what you mean by "at the
4 time."

5 Q. When the Commission calculates the
6 reconciliation for 2012, the Company will be
7 collecting, as a result of that Order, rates that
8 include the Company's forecast of total plant
9 additions for 2012 as part of the prior year's
10 inception ratemaking proceeding?

11 A. As I explained in my testimony in response
12 to your question, we are required by law to file the
13 true-up of the reconciliation for 2012 on May 1,
14 2013. Yes, at the time we filed on May 1, 2013,
15 there will be rates in effect that include those
16 plant additions, and the reconciliation rates from
17 this true-up to actual plant additions and actual
18 cost data will not be collected until the beginning
19 of January 2014, a year and a day later than year-end
20 2012.

21 Q. And under your example there, the rates
22 that go into effect on January 4, 2014, will include

1 a true-up plus interest of the actual costs for the
2 2012 year?

3 A. Yes.

4 Q. In the following year there will be a
5 true-up of the actual costs incurred in 2013,
6 correct?

7 A. Correct.

8 Q. And the inception rates established as a
9 result of your May 13 -- I mean, May 2013 filing
10 would include a revenue requirement based on the
11 Company's forecast of total plant additions in 2013,
12 correct?

13 A. Yes, it would. It is two parts. It is the
14 projection for 2013 and true-up for 2012. In both
15 cases our rates are paid until 2014.

16 Q. Now I would like to turn your attention to
17 page 12 of rebuttal, page 12, line 236.

18 A. Okay. Our pagination must be off.

19 Q. Yeah, I think so.

20 A. Line 236 is the line you want, though?

21 Q. I am sorry, page 11. Did I say 12?

22 A. Yes.

1 Q. Okay. We have line 236 on your page 11?

2 A. Yes, I do.

3 Q. Okay. There you state it is not
4 appropriate to both assign some amount of short term
5 debt exclusively to reconciliation amounts and also
6 reflect it in the capital structure as though it were
7 also supporting the rate case generally. Do you see
8 that?

9 A. I see that sentence.

10 Q. Now, with respect to your position that the
11 appropriate interest rate to apply to reconciliation
12 balances is the Company's weighted average cost of
13 capital, I want to ask you some questions regarding
14 what Ameren's weighted average cost of capital is
15 made up of and do you have knowledge of that. Is it
16 correct that the weighted average cost of capital of
17 Ameren is made up of the cost of equity, cost of long
18 term debt and the cost of short term debt?

19 A. And preferred stock.

20 Q. Preferred stock. And the cost of these
21 component costs are determined as specific points in
22 time, would you agree?

1 A. Yes, they are.

2 Q. And the return-on-equity portion of the
3 capital costs is based on costs reflected by the
4 federal reserve for a particular year under the
5 formula rate structure, specifically the average
6 four-year U.S. Treasury rate plus 580 bases points?

7 A. Yes, as I said multiple times, it is an
8 average of the U.S. Treasury's plus 580 bases points.
9 The legislature is very specific in that case; they
10 used the term "average." They did not use that term
11 in other places.

12 Q. Would you agree that Ameren calculates its
13 weighted average cost of capital under formula rate
14 making by looking at historical data rather than
15 projected future financing?

16 A. Yes.

17 Q. And Ameren's average cost of capital, I
18 think as you indicated, includes its weighted costs
19 of long term debt, right?

20 A. I believe it does, yes.

21 Q. And that's reflected in Ameren's formula
22 rate tariff, correct?

1 A. Yes.

2 Q. And would you agree with me that the
3 weighted average cost of capital includes interest,
4 interest of five historically issued funds?

5 A. Yes, it includes an interest component for
6 long term debt, bonds that are part of long term
7 debt.

8 MS. LUSSON: I want to show you an exhibit that
9 is actually attached to Mr. Stafford's rebuttal
10 testimony, Exhibit 11.1. And, Your Honor, since I am
11 assuming it will be eventually introduced into the
12 record when Mr. Stafford testifies, I can mark this
13 as an exhibit but then not introduce it or just show
14 it to him.

15 JUDGE ALBERS: Just show it to him. I don't
16 think we need to mark it.

17 MS. LUSSON: No need to mark it then.

18 JUDGE ALBERS: I don't think so. You just
19 identified it as the exhibit associated with Mr.
20 Stafford's testimony?

21 BY MS. LUSSON: Yes.

22 Q. Now, if you look at this exhibit, again it

1 is attached to Mr. Stafford's rebuttal testimony,
2 Ameren Exhibit 11.1, page 32 of 34, App 13, would you
3 agree, for example -- now, first of all, as I
4 understand it, this would represent information
5 regarding Ameren's embedded costs of long term debt
6 and preferred stock, is that what the exhibit
7 indicates?

8 A. That's what the title on the exhibit
9 appears to be.

10 Q. Now, would you agree that, for example, at
11 line 14 that particular first mortgage bond was
12 issued in 2008 and at an interest rate of 9.750
13 percent on that bond?

14 A. I did not submit this exhibit. I have
15 never seen this exhibit before, and I don't think I
16 am the right witness to respond to these questions.

17 Q. Well, would you accept that subject to
18 check, that that's what this exhibit indicates?

19 A. I can read that line item for you, if you
20 would like, but I don't know what -- I didn't sponsor
21 this. I don't know what it is. I could guess what
22 it is, but I don't know for sure.

1 Q. All right. Would you agree, though, based
2 on your review of this exhibit which is sponsored by
3 one of your fellow employees, that it indicates that
4 on October 23, 2008, a first mortgage bond was issued
5 to the Company at the rate of 9.750 percent?

6 A. I am not positive of that.

7 Q. Will you accept it subject to check?

8 A. How would I check? What's the process for
9 checking? Why don't you -- anyway. I don't know for
10 sure what ISS means.

11 Q. Okay. So you won't accept that subject to
12 check?

13 A. I would have to defer to counsel.

14 MS. LUSSON: Counsel, will you --

15 MR. FITZHENRY: Well, why don't you ask him the
16 next question. Not to cut you off, but maybe the
17 next question will clarify what he can agree to and
18 what he can't agree to.

19 BY MS. LUSSON:

20 Q. All right, let me try it this way. To the
21 extent that this exhibit indicates the interest rate
22 on a particular first mortgage bond that was issued

1 to Ameren on October 23 of 2008, would you agree that
2 the amount of interest paid on each of Ameren's long
3 term debt instrument varies based on the information
4 provided in this exhibit, depending on the date it
5 was issued and the interest rate applied?

6 A. I would agree in general that that was
7 issued on different dates and with different coupon
8 rates and, yes, the different rates are reflected in
9 the weighted cost of capital.

10 Q. Would you agree with me that with regard to
11 any reconciliation balance that may exist in the
12 future under formula ratemaking, Ameren can't go back
13 in time and issue any more of the historical bonds
14 that it has now at varying interest rates, including
15 the 9.750 percent rate that's listed here, and obtain
16 that exact rate?

17 A. Your question is very confusing for me.
18 Ameren can't go back in time. I don't think Ameren
19 can go back in time.

20 Q. So is that a yes, you would agree with
21 that?

22 A. I agree Ameren cannot go back in time.

1 Q. Would you agree that if it sought long term
2 debt today, that it would be unlikely to obtain that
3 instrument at a 9.750 percent interest rate?

4 A. Today?

5 Q. Yes.

6 A. I don't know the terms of this, the terms
7 of the debt. So I really don't know.

8 Q. Well, for example, looking at line 14, this
9 is a four-year -- matures in -- I am sorry, ten-year
10 bond. To the extent you have knowledge of the
11 issuance of debt for the Company and you have
12 testified about what the appropriate weighted average
13 -- what the appropriate interest rate should be on
14 reconciliation balances based on the Company's cost
15 of capital, would you agree that Ameren cannot go
16 back in time and obtain a bond, a ten-year bond, at
17 9.750 percent interest today?

18 A. I am not trying to be argumentative, but I
19 don't know what the terms of this bond are. I don't
20 know where it falls in the stacking order, when it
21 has to be paid, if it comes before preferred stock,
22 after preferred stock, I don't know if it is a hybrid

1 instrument. I just don't know. I can respond to
2 your question about typical bonds, if you would like,
3 based on my knowledge, but I don't know what the
4 terms of this bond are.

5 Q. All right. Let me ask you, in a typical
6 bond, ten-year bond today, would you agree it is
7 unlikely Ameren would receive a rate of 9.75
8 interest?

9 A. Yes. A typical bond, let me define that,
10 would be something that has priority over preferred
11 stock, something that's secured by the indenture and,
12 yes, it would get a lower interest rate.

13 Q. Do you have any estimation as to what that
14 interest rate would be today?

15 A. I do not.

16 Q. But it would be lower than the 9.750
17 percent that was issued in 2008?

18 A. I believe it would.

19 Q. Do you have an opinion as to whether it
20 would be lower than, for example, the bond that was
21 issued on line 2 on June 13, 2001, and matures in
22 2011 at an interest rate of 6.625 percent?

1 MR. FITZHENRY: Just for clarification are you
2 talking about the same term?

3 MS. LUSSON: The same term as in length of
4 time?

5 MR. FITZHENRY: Yeah.

6 MS. LUSSON: Yes.

7 MR. FITZHENRY: And are you speaking about a
8 premium that would be paid in the event the bond was
9 paid earlier than its due date?

10 BY MS. LUSSON: I am talking about typical
11 terms, no unusual terms, paying early or whatever,
12 the interest rate offered the Company.

13 Q. Would it be, in your estimation today,
14 lower than the rate 6.625 percent indicated on line
15 2?

16 MR. FITZHENRY: Sort of an objection. If he
17 can answer the question as you posed it, that is
18 certainly fine. I don't know that he has enough
19 information, but he can say yes or no.

20 A. Yeah, as I explained earlier, I don't know
21 what the terms of this debt are, the maturity. I
22 don't know what the maturity is and I don't know what

1 the terms of the financing are, the debt instrument
2 itself, whether it is an absolute promise to pay or
3 contingent upon other things. I just don't know. If
4 you would like to give me a hypothetical, I will try
5 to express an opinion, but I don't know the terms of
6 this bond.

7 MS. LUSSON: Could I have the prior answer
8 before Mr. Fitzhenry's objection read back, please?

9 (Pause.)

10 BY MS. LUSSON: I will just go on.

11 Q. Mr. Nelson, in one of your previous answers
12 you referenced a typical bond, I believe. If you
13 could, describe what you assert to be typical terms
14 of a long term interest bond, first mortgage bond.

15 A. Let me use an example. Let's assume that
16 we are talking about a debt instrument with an
17 absolute commitment to pay a date certain and in the
18 stacking order of priority that it comes before
19 other types of debt and preferred stock and common
20 dividends and so on, that it has caveats in the debt
21 instrument as to the Company maintaining certain
22 times interest earns, caveats related to bondable

1 property. That that's a typical utility debt
2 instrument, it has a time payment and a certain date
3 and a certain amount at a stated coupon rate of
4 interest. So that's what I say a typical utility
5 bond is.

6 Q. Okay. And under that definition of a
7 typical first mortgage bond, if you know, would you
8 anticipate that, if Ameren sought today a new first
9 mortgage bond, that the interest rate would be at
10 6.625 percent?

11 A. And what would the term of that loan be?

12 Q. Ten years.

13 A. Not sure what it would be. Mr. Ryan should
14 be able to answer that question. He would know what
15 the typical spread off the treasury is. I just don't
16 know.

17 Q. Under the typical bond scenario you would
18 agree, wouldn't you, that the amount obtained with
19 the existing bonds and the interest being paid on the
20 existing bonds are fixed, correct?

21 A. What I describe as a typical bond
22 instrument, usually they are fixed, yes.

1 Q. And is it true that if Ameren needs to
2 issue new debt to finance formula ratemaking
3 reconciliation balances, that new debt would be
4 issued at today's market interest rate, correct?

5 A. It would. But as I explained in my
6 testimony, it wouldn't be simply debt only. We
7 finance our investments and our operating costs with
8 our weighted average cost of capital, not debt
9 solely.

10 Q. Would you agree that the Ameren investment
11 that is earning Ameren's weighted average cost of
12 capital consists of assets that are included in the
13 rate base and have already been financed?

14 A. Yeah. Since we are talking about an
15 historical year, yes, they have been financed.

16 Q. Wouldn't you also agree that, assuming
17 Ameren's future investment would be larger than its
18 historical rate base, that the future higher
19 investment will require incremental new capital above
20 and beyond the first mortgage bond that Ameren has in
21 its historic or in its existing portfolio of
22 finances?

1 A. I would agree, assuming that our capital
2 expenditures exceed depreciation expense.

3 Q. And is it also possible that it would
4 finance incremental capital needs through internally
5 generated funds?

6 A. As I explained in my testimony, we finance
7 our operations, including capital expenditures, with
8 our overall capital structure without targeting any
9 amount of that capital to specific assets. Cash is
10 not specifically targeted to specific assets. So we
11 finance our operations and our plant investments and
12 any reconciliation balance with our overall weighted
13 cost of capital.

14 Q. And the instrument -- understanding that
15 you are saying that it is not tied to any particular
16 method of financing, this particular investment, that
17 is, it is possible that in fact internally-generated
18 funds finance new additions?

19 A. If by that you mean that --

20 Q. Assuming that depreciation expense is
21 included in rates.

22 A. Yes. In that respect, yes.

1 Q. Finally, I would like to turn to page 3 of
2 your surrebuttal testimony. There you reference a
3 particular House Resolution passed on August 17,
4 2012?

5 A. Yes, I see that.

6 Q. Is this the same House Resolution that was
7 referenced by Ameren in Docket 12-0001 in your Brief
8 on Exceptions?

9 A. I am not sure of the timing. One reference
10 was when it passed out of House committee, and then
11 this reference is after it was an official resolution
12 passed by the entire House. But it is the same
13 resolution; I just don't know the status of it in the
14 Brief on Exceptions.

15 Q. And are you aware that a Motion to Strike
16 brought with reference to that House Resolution was
17 filed by the Illinois Industrial Energy Consumers in
18 Docket 12-0001?

19 MR. FITZHENRY: Your Honor, I object to
20 relevance.

21 MS. LUSSON: Well, because the relevance is
22 that this resolution being cited to, assuming it is

1 the same one, is one that has been stricken by Your
2 Honors in Docket 12-0001, and I think that's relevant
3 to whether or not this information should be part of
4 this record.

5 MR. FITZHENRY: Well, the time to file that
6 motion has passed, as I understand the Judges'
7 schedule. So any Motion to Strike at this point
8 would be too late.

9 MS. LUSSON: Well, Your Honors, I think any
10 testimony given by a witness is subject to Motions to
11 Strike. This -- the ruling that Your Honors made in
12 12-0001 occurred yesterday. So I think that to the
13 extent this is the same House Resolution which I
14 don't -- I am still waiting to hear Mr. Nelson's
15 response to that question -- but assuming it is, then
16 I do believe that an oral Motion to Strike reference
17 to this House Resolution is appropriate.

18 MR. FITZHENRY: And, Your Honors, again what
19 occurred in Docket 12-0001 is what occurred in that
20 docket. This is a different docket. Mr. Nelson's
21 rebuttal testimony has been out there since July 31
22 where he identified this particular House Resolution.

1 The AG was a party in the Docket 12-0001. They could
2 have, if they thought it was appropriate, then to
3 file a Motion to Strike that portion of Mr. Nelson's
4 testimony dealing with the House Resolution sometime
5 afterwards. There has been back and forth data
6 requests on this subject. There has been testimony
7 offered by several of the parties on this subject.

8 Again, your ruling was that motions of
9 this kind were to be filed last week. It is not
10 timely and it would be prejudicial to the Company to
11 have to deal with the Motion to Strike at this time.

12 MS. LUSSON: Well, just very briefly, Your
13 Honor --

14 MR. FITZHENRY: And the ruling, your ruling in
15 12-0001, wasn't so much that the resolution wasn't
16 evidence. It was the matter of it being legal
17 authority for the propositions of interpreting EIMA.
18 It wasn't -- it was a question of a legal citation
19 that was the center of your ruling.

20 JUDGE ALBERS: All right. Well, as an initial
21 matter I will say that our stay last Friday for any
22 motions of this nature wasn't meant to cut off any

1 further motions. It was meant to get as much as we
2 could disposed of before we actually got to the cross
3 examination part of the process.

4 I will also say that what we did in
5 12-0001 is independent of what we will do in this
6 docket. If there is a -- it sounds like you are
7 going to make a motion here, if you haven't already.

8 MS. LUSSON: Yes, Your Honor, I am assuming
9 Mr. Nelson will provide the response that, yes, this
10 is the same resolution that's been referenced in
11 Docket 12-0001, but I don't think he has been given
12 an opportunity to give an answer to that question.
13 But, yes, I would make an oral motion to strike
14 references to that, to the extent that Mr. Nelson is
15 presenting that House Resolution as a basis for the
16 Commission's evaluation of the meaning of the
17 statute.

18 JUDGE ALBERS: Mr. Nelson, answer the question.

19 THE WITNESS: A. Yes, I believe this is the
20 same resolution that we referenced on our Brief on
21 Exceptions in 12-0001.

22 MS. LUSSON: Your Honors, then I would move to

1 strike the discussion by Mr. Nelson regarding this
2 House Resolution and its meaning or value to the
3 Commission's interpretation of the formula rate act
4 in light of your ruling yesterday.

5 JUDGE ALBERS: All right.

6 MR. FITZHENRY: Well, again, I remind the
7 Judges that your ruling was based on the IIEC and
8 CG's argument that it wasn't an appropriate legal
9 citation. That is not exactly what Mr. Nelson is
10 testifying to here. It is his understanding of the
11 authority that's been provided for under the House
12 Resolution, and he is offering his explanation as to
13 how he understands it relevant to matters involving
14 the end-of-the-year rate base and actual capital
15 structure provisions in the law.

16 And, again, I mean, again this has
17 been out there since July 31. The AG was a party in
18 12-0001. They had ample opportunity to move to
19 strike that back then. Again, the record is going to
20 be cluttered with, again, references back and forth
21 to this particular House Resolution. I mean, I think
22 it is more appropriate for the AG and other parties

1 to talk about this in their brief.

2 MS. LUSSON: Just one final, very brief
3 comment. I just note at line 83 where Mr. Nelson
4 indicates, although he is not an attorney, his views
5 of the House Resolution represents a clear
6 legislative directive that the Commission should
7 consider, and that the language of HR 1157 makes
8 clear that it was the intent of the legislature to
9 use year-end amounts for both initial or inception
10 rate base reconciliation -- reconciliation rate base.

11 MR. FITZHENRY: And I am still struggling with
12 your representation that the schedule was intended to
13 clear up as much as you could before the hearings.
14 Yet this testimony has been out there for months, and
15 now we are for the first time having to entertain a
16 Motion to Strike. The Company, obviously, is caught
17 off guard by this particular motion. We are being
18 denied the opportunity to give thought to a response,
19 and it is just unfair and prejudicial.

20 MS. LUSSON: And I don't think that the
21 rebuttal was filed in July.

22 MR. FITZHENRY: July 31.

1 JUDGE ALBERS: Given the circumstances under
2 which Mr. Nelson has brought into this record the
3 House Resolution, the Motion to Strike is denied.

4 MS. LUSSON: Thank you, Mr. Nelson. I have no
5 further questions.

6 JUDGE ALBERS: All right. From CUB anyone?

7 MS. SODERNA: CUB doesn't have any questions.

8 JUDGE ALBERS: Do you have redirect?

9 MR. FITZHENRY: Could we have just a few
10 minutes?

11 JUDGE ALBERS: Sure.

12 (Whereupon the hearing was in a
13 short recess.)

14 JUDGE ALBERS: Back on the record.

15 MR. FITZHENRY: We have no questions for
16 redirect and move again for the admission of
17 Mr. Nelson's rebuttal testimony, Ameren Exhibit 9.0,
18 and his surrebuttal testimony, Ameren Exhibit 18.0
19 Revised and 18.1.

20 JUDGE ALBERS: There is a motion to bring his
21 testimony in. Any objections?

22 (No response.)

1 Hearing none, then AIC Exhibit 9.0 and
2 18.0 Revised and 18.1 are admitted.

3 (Whereupon Ameren Exhibits 9.0,
4 18.0 Revised and 18.1 were
5 admitted into evidence.)

6 JUDGE ALBERS: Thank you, Mr. Nelson.

7 (Witness excused.)

8 JUDGE YODER: I believe our next witness is
9 Mr. Heintz. Mr. Heintz, were you previously sworn?

10 THE WITNESS: I was.

11 DAVID HEINTZ

12 called as a witness on behalf of Ameren Illinois
13 Company, having been first duly sworn, was examined
14 and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. SEGAL:

17 Q. Good morning, Mr. Heintz. Can you please
18 state your full name and business address for the
19 record.

20 A. My name is David Heintz. My business
21 address is 293 Boston Post Road West, Suite 500,
22 Marlborough, Massachusetts 01752.

1 Q. And by whom are you employed?

2 A. By Concentric Energy Adviors.

3 Q. Mr. Heintz, I have what is marked as Ameren
4 Exhibit 13.0 entitled Rebuttal Testimony of David A.
5 Heintz with accompanying exhibits titled Ameren
6 Exhibits 13.1 and 13.2. Is this your rebuttal
7 testimony in this proceeding?

8 A. It is.

9 Q. And was it prepared by you or under your
10 direction and supervision?

11 A. Yes, it was.

12 Q. Do you have any changes to make to this
13 testimony today?

14 A. No.

15 Q. And, Mr. Heintz, I also have what has been
16 marked Ameren Exhibit 22.0, Surrebuttal Testimony of
17 David A. Heintz with accompanying Exhibit 22.1. Is
18 this your surrebuttal testimony in this proceeding?

19 A. It is.

20 Q. Was this prepared by you or under your
21 direction or supervision?

22 A. Yes, it was.

1 Q. And do you have any changes to make to this
2 testimony?

3 A. No changes.

4 Q. With respect to the testimony that I just
5 identified, including the exhibits, if asked the same
6 questions included with them today, would your
7 answers be the same?

8 A. They would.

9 Q. And regarding the testimony and exhibits
10 identified, is the information contained therein true
11 and correct to the best of your knowledge?

12 A. It is.

13 MS. SEGAL: Your Honors, at this time we move
14 for the admission of Mr. Heintz's testimony and
15 exhibits, and tender him for cross.

16 JUDGE YODER: All right. We will address the
17 admissibility following cross, and I believe AG is
18 the only party that has reserved cross.

19 MS. LUSSON: Thank you, Your Honor.

20 CROSS EXAMINATION

21 BY MS. LUSSON:

22 Q. Hello again, Mr. Heintz.

1 A. Good morning.

2 Q. Mr. Heintz, is it correct that the cash
3 working capital calculation in this docket is based
4 on the lead-lag methodology developed in your
5 testimony and supporting work papers from Docket
6 12-0001?

7 A. Yes, it is.

8 Q. And that was the first formula rate docket?

9 A. Correct.

10 Q. And is it correct that Ameren has proposed
11 in this docket to update the lead-lag analysis every
12 three years for purposes of the formula rate -- for
13 purposes of the formula rate?

14 A. Yes, the lead-lag values would remain the
15 same for the three years, but in the update cases the
16 expenses to which those leads and lags would be
17 applied would be changed.

18 Q. And those updates to the revenues and
19 expenses for the applicable calendar year 2011 have
20 been reflected in your determination of cash working
21 capital, is that right?

22 A. That is correct.

1 Q. And a summary contribution of the proposed
2 cash working capital number is shown in
3 Mr. Stafford's exhibit and then updated in his
4 rebuttal testimony, Exhibit 11.1, App 3, is that
5 correct?

6 A. I believe that is correct.

7 Q. And would you also agree that Ameren and
8 other utilities need cash working capital only in
9 connection with cash transactions, that is, where
10 cash must be collected from customers and then paid
11 out for goods and services or for taxes?

12 A. The cash working capital analysis includes
13 only cash expenses. It does not include non-cash
14 items.

15 Q. And would you agree that a lead-lag study
16 is concerned with the measurement of the timing of
17 cash flows?

18 A. Yes.

19 Q. Now, if you could look at -- do you have
20 before you a summary table of Exhibit 11.1, page 19,
21 App 3, or your rebuttal work papers that includes a
22 listing of the revenues and expenses that make up the

1 cash working capital?

2 A. Let me check. I don't believe I do, no.

3 MS. LUSSON: I would like to approach the
4 witness and show him this.

5 (Whereupon a document was
6 presented to the witness.)

7 BY MS. LUSSON:

8 Q. Now, I'm looking at, I believe, line 6,
9 revenues collected by Ameren to fund depreciation and
10 amortization expense. Do you see that?

11 A. Yes.

12 Q. Is it correct that these revenues are
13 excluded because Ameren does not make a recurring
14 cash payment to pay for depreciation or amortization
15 expense?

16 A. Depreciation and amortization expense are
17 all non-cash items and would be excluded from the
18 cash working capital study.

19 Q. And, in fact, under the expenses listed at
20 lines 10 through 28 you don't find a line item for
21 Ameren's depreciation or amortization expenses
22 because, as you said, they are not cash expenses, is

1 that correct?

2 A. That is correct.

3 Q. And, generally speaking, if Ameren is not
4 paying a particular expense in cash and doesn't
5 expect to pay that expense for several years into the
6 future, would you agree that no adjustment need be
7 made in a lead-lag study for a cash working capital
8 allowance for that particular expense?

9 A. The cash working capital study that we do,
10 it is based on the revenue requirement that is at
11 issue. And to the extent that there are non-cash
12 expenses included in there, those would be subtracted
13 from the study.

14 Q. Okay. And that's for that particular year?

15 A. That is correct.

16 Q. So, for example, if Ameren expects to spend
17 an additional five million on a large software
18 project in 2013, you have not made any provision in
19 your lead-lag study in this case for that kind of
20 expenditure, is that right?

21 A. To the extent that there was -- it would be
22 an expense, no, we have not done that. Cash working

1 capital, the same as expenses and capital projects or
2 something like that, would not be included as part of
3 the cash working capital study.

4 Q. Now, if you recall, line -- do you have
5 with you Mr. Stafford's Exhibit 11.1 which lists the
6 cash working capital amounts?

7 A. I do not.

8 MS. LUSSON: Just a moment, Your Honor. Does
9 the Company have a copy of Mr. Stafford's Exhibit
10 11.1 to the extent it lists the cash working capital
11 numbers? I assumed Mr. Heintz would have that before
12 him.

13 MS. SEGAL: I am sorry, Mr. Stafford is not
14 testifying, so Mr. Heintz is not expected to bring
15 the --

16 MS. LUSSON: Mr. Stafford includes the numbers
17 from Mr. Heintz's cash working capital conclusions.

18 MS. SEGAL: Exactly. That is Mr. Stafford's
19 testimony. Mr. Heintz is up on the stand.

20 MS. LUSSON: I can find that, Your Honors, if I
21 could just have a moment.

22 (Pause.)

1 I only have one copy of this. I
2 apologize.

3 JUDGE YODER: Was this page 19?

4 BY MS. LUSSON: Yes.

5 Q. Okay. Now, if we look at line 27 on that
6 exhibit, it lists -- again, and just to clarify, this
7 is an attachment to Mr. Stafford's rebuttal testimony
8 and it provides the cash working capital information
9 that's included in the formula, proposed formula,
10 rate revenue requirement?

11 A. Yes.

12 Q. And these numbers would have been provided
13 by you to Mr. Stafford, is that correct?

14 A. Actually, I would have provided the numbers
15 in Column D which is the lead-lag calculations.

16 Q. Okay. And then perhaps Mr. Stafford
17 provided these expense and revenue numbers to you for
18 purposes of making those numbers in Column E, is that
19 correct?

20 A. Yes.

21 Q. Now, if you look at line 27 of Exhibit
22 11.1, it lists income taxes in the amount of 75

1 million. Do you see that?

2 A. I do.

3 Q. So is it correct for purposes of your
4 lead-lag study that you assume that Ameren would be
5 making cash payments for income taxes at the
6 statutory date when income taxes are really due?

7 A. Yes, the calculation of the income taxes
8 are based on the revenue requirement, the statutory
9 rates, and the due dates for those taxes.

10 Q. And do you know when Ameren Corporation
11 last paid any federal income taxes?

12 A. I do not know.

13 Q. Do you know if they paid income taxes for
14 2011, the year that this information is based on?

15 A. I do not know that.

16 Q. So is it correct to assume that you did not
17 look into any issue as to whether -- strike that.

18 Is it correct to assume that you did
19 not determine whether Ameren might be paying taxes in
20 the foreseeable future?

21 A. No. What I looked at was the revenue
22 requirement and the calculation of the income taxes

1 based on that, that requirement.

2 Q. Would you agree that income taxes are
3 deferred and no cash flows are involved because by
4 definition they are deferred rather than being paid
5 to taxing authorities?

6 A. If income taxes are deferred, that is
7 correct; there are no cash payments.

8 Q. And, similarly, would you agree that there
9 can be no payment lead days if there is no actual
10 disbursement payment?

11 A. Again, in the calculation of the lead-lag
12 study and cash working capital allowances, based on
13 the requirement in the calculation of the income
14 taxes derived from that, based on the statutory tax
15 rates and the due dates for those payments.

16 Q. Would you agree that generally speaking
17 there can be no payment lead days on an expense if
18 there is no actual payment?

19 A. If it is a non-cash item, then it would not
20 be included as part of the cash working capital
21 analysis.

22 Q. Would you consider deferred taxes a

1 non-cash item?

2 A. Yes.

3 Q. Would you agree, if you know, that all of
4 Ameren's calculated income tax expenses are deferred
5 on the Company's balance sheet, adding to the
6 accumulated deferred income taxes instead of being
7 remitted to taxing authorities?

8 A. I do not know that.

9 Q. Now, as I understand your rebuttal
10 testimony at page 19, your position -- sorry, do you
11 have that?

12 A. Sorry. I have page 19.

13 Q. I am looking at lines 411 through 417
14 there.

15 A. Yes.

16 Q. Is it correct that your position is that
17 the differentiation between current and deferred
18 income taxes can swing between rate cases, reflecting
19 then current tax laws, and that the use of statutory
20 tax rates and payment dates in the Ameren cash
21 working capital maintains a consistent treatment of
22 income tax expense for ratemaking purposes and avoids

1 what you call swings and balances?

2 A. Yes, that's a fair paraphrase of my
3 testimony.

4 Q. And I think you have indicated that you
5 have undertaken no analysis to determine when or if
6 Ameren's federal tax or state tax payment obligation
7 is likely to change or when any so-called swing in
8 payment obligation is likely to occur?

9 A. No, I have not.

10 Q. Would you agree that formula ratemaking
11 provides an opportunity to annually update the
12 relevant calculation to revise the total income tax
13 expense for all of the impacts should the tax payment
14 obligation change?

15 A. As part of the formula rate case, the
16 census would be updated annually.

17 Q. Okay. I would like to ask you some general
18 questions about collection lag calculation in the
19 lead-lag study that's presented in this case. Would
20 you agree generally that the revenue lag is the
21 single most important lag day value in your cash
22 working capital study because it is applied to more

1 than 500 million of cash flows?

2 A. The revenue lag is one of the largest items
3 in the cash working capital study.

4 Q. And is it correct then, I think you
5 indicated, that the cash working capital allowance
6 proposed in this docket is based upon the same
7 approach that was used in -0721?

8 A. Yes.

9 Q. And that approach grouped the account
10 receivable balances into aging buckets including
11 current, 30 to 60 days, 60 to 90 days, and over
12 90-day buckets, is that right?

13 A. That is correct.

14 Q. And for each of the first three buckets of
15 the receivables, a midpoint is used in the
16 calculation, is that correct?

17 A. That is correct.

18 Q. And based on -- and your midpoint
19 methodology, as I understand it, presumes that
20 payments occur ratably over the course of a month
21 which is to say that as many customers are expected
22 to pay their utilities before the midpoint period as

1 will pay after the midpoint period, is that correct?

2 A. That is correct.

3 Q. And, for example, the current zero to 30
4 days bucket would be 15 days as the midpoint and the
5 other ones would be different midpoints based on
6 those buckets?

7 A. Based on the number of days encompassed by
8 those buckets, that is correct.

9 Q. And is it correct that in this docket you
10 conducted no particular analysis to determine if the
11 midpoint is in fact the average remittance day for
12 each of the 30-day aging buckets for the accounts
13 receivables?

14 A. I did not do any different analysis other
15 than the midpoint analysis.

16 Q. So you did not specifically examine a
17 sample of accounts receivables to see if in fact the
18 midpoint within each of those buckets is in fact the
19 average day when accounts receivables come in?

20 A. I did not.

21 Q. And, generally speaking, is it fair to say
22 that in each of the categories of the aging buckets,

1 the median value or the median figure, if that
2 median, actual median figure, is a day off of the
3 midpoint that you have assumed, that the dollar
4 effect is approximately over a million dollars?

5 A. I believe that the million dollars is
6 roughly correct, yes. To the extent if there was a
7 different value then, yes, that would impact the
8 calculation of the working capital.

9 Q. And that's for each day that would be north
10 or south of the midpoint?

11 A. Yeah. Obviously, if you change the
12 midpoint or the revenue lag number, then the cash
13 working capital would change plus or negative,
14 depending on which way it went.

15 Q. Is it correct that Ameren customers have a
16 designated grace period in which they are given time
17 to pay a bill upon receipt of that bill?

18 A. I am not sure if I understand. Grace
19 period. The bill is marked due 21 days after
20 issuance.

21 Q. And is that true for all customer classes,
22 do you know, the 21 days or is that just residential?

1 A. It's 21 days for residential. I believe it
2 is a lesser number for commercial accounts, but I
3 don't remember the exact day.

4 Q. Have you done any particular analysis or
5 anyone in the Company done any particular analysis to
6 determine whether the existence of the grace period,
7 for example, in the residential class, the 21-day
8 grace period, affects when a customer pays or how it
9 affects the average remittance date for the
10 collection lag?

11 A. I have not done any separate analysis for
12 the Illinois utility. What we have looked at is the
13 Company-specific information and the aged receivables
14 analysis, and that's the information we have and
15 that's the best we have available.

16 Q. When you say that's the best we have
17 available, the Company has not or you have not
18 attempted to do a statistically valid sampling of
19 accounts receivable to analyze the average remittance
20 days or how the grace periods affect those, have you?

21 A. I have not.

22 Q. I would like to ask you a few questions

1 about past due taxes and their effect on the cash
2 working capital study. Would you agree that both
3 Mr. Kahle from Staff and Mr. Brosch recommend a zero
4 revenue lag for pass-through taxes be used in the
5 Company's lead-lag study?

6 A. That is their testimony, yes.

7 Q. And the taxes I am referring to with
8 respect to these witnesses' recommendations include
9 the energy assistance charges, or EAC, and the
10 municipal utility taxes, or MUT, which are included
11 in the Company's cash working capital determination,
12 is that right?

13 A. That's correct. I believe Mr. Brosch also
14 recommends a zero revenue lag for the gross receipts
15 tax.

16 Q. Do you know of any change in tax law or
17 regulation that has occurred that would modify the
18 terms under which the EAC or MUT taxes are assessed
19 and paid?

20 A. Not to my knowledge.

21 Q. And are you familiar with today -- strike
22 that.

1 And are you familiar today with when
2 those taxes are paid by Ameren?

3 A. Yes.

4 Q. And is it correct that the EAC is paid to
5 the Department of Revenue on the 20th day of the
6 month after billing and the MUT taxes are paid to the
7 various municipalities at the end of the month as
8 well?

9 A. The EAC is paid on the 20th of the month
10 following billing and the MUT is paid the 30 days
11 after collection.

12 Q. Is it your testimony then that customer
13 revenues are received after Ameren pays those taxes?

14 A. Sorry.

15 Q. Is it your testimony that customer revenues
16 for purposes of funding that remittance that the
17 Company makes to the taxing authorities, that those
18 dollars are received after Ameren pays those taxes?

19 A. No. Right now the lead-lag analysis shows
20 that for the EAC the Company has used of those funds
21 for four days and for the MUT is 14 days.

22 Q. And that's when the Company has use of the

1 money received from ratepayers, those time periods?

2 A. Correct.

3 Q. So, in fact, the amounts paid for those
4 taxes occurred after the receipt of the dollars from
5 revenues from ratepayers, is that right?

6 A. That is correct.

7 MS. LUSSON: Thank you, Mr. Heintz. No further
8 questions.

9 JUDGE YODER: Do you have any redirect? Do you
10 need to speak to your witness for a moment?

11 MS. SEGAL: No redirect, Your Honor.

12 JUDGE YODER: Thank you. Any objection to the
13 admission of Mr. Heintz's rebuttal testimony with
14 accompanying exhibits or his surrebuttal testimony
15 with accompanying exhibits?

16 (No response.)

17 Hearing no objection then, Exhibit
18 13.0, the rebuttal of Mr. Heintz with accompanying
19 Exhibits 13.1 and 13.2, will be admitted into
20 evidence, along with Ameren Exhibit 22.0, the
21 surrebuttal of Mr. Heintz with accompanying Exhibit
22 22.1.

1 (Whereupon Ameren Exhibits 13.0,
2 13.1, 13.2, 22.0 and 22.1 were
3 admitted into evidence.)

4 JUDGE YODER: Thank you, Mr. Heintz. You may
5 step down.

6 (Witness excused.)

7 It looks like it is about ten 'til
8 12:00, so maybe we will just -- unless somebody has
9 something real quick to take care of, such as Judge
10 Albers.

11 JUDGE ALBERS: Would there be any problem with
12 leaving Ms. Lord until after Ms. Pagel?

13 MR. KENNEDY: We actually have -- we talked to
14 the Attorney General and there were no questions for
15 Ms. Lord. Do Your Honors have questions now for her?

16 JUDGE ALBERS: I might have one, depending on
17 the responses from Ms. Pagel.

18 MR. KENNEDY: Okay. We don't have an objection
19 to that.

20 JUDGE ALBERS: Okay, thank you. In that case
21 then, we will see Mr. Kahle when we get back from
22 lunch.

1 JUDGE YODER: We will break until one o'clock.

2 Thank you.

3 (Whereupon the hearing was in
4 recess until 1:00 p.m.)

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1 AFTERNOON SESSION

2 (Whereupon the proceedings are
3 now being stenographically
4 reported by Laurel A. Patkes.)

5 JUDGE ALBERS: We're on the record after we
6 took a lunch break. I believe our next witness is
7 Mr. Kahle.

8 If you'd take the stand, sir.

9 Were you previously sworn this
10 morning?

11 MR. KAHLE: Yes.

12 DANIEL G. KAHLE
13 called as a witness herein, on behalf of staff of the
14 Illinois Commerce Commission, having been first duly
15 sworn on his oath, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 BY MS. LUCKEY:

19 Q. Good afternoon, Mr. Kahle. Could you
20 please state your name for the record.

21 A. Daniel G. Kahle. That's spelled K-a-h-l-e.

22 Q. And by whom are you employed?

1 A. I'm employed as an accountant in the
2 Accounting Department of the Financial Analysis
3 Division of the Illinois Commerce Commission.

4 Q. Mr. Kahle, do you have in front of you what
5 has been previously filed on e-Docket as the
6 corrected direct testimony of Daniel Kahle, ICC Staff
7 Exhibit 2.0C dated August 20, 2012 which consists of
8 a cover page, a table of contents, 11 pages of
9 narrative text, Schedules 2.01, 2.02 and Attachments
10 A through E?

11 A. Yes.

12 Q. Was ICC Staff Exhibit 2.0C prepared by you
13 or under your direction, supervision and control?

14 A. Yes.

15 Q. Do you have any additions, deletions, or
16 modifications to make to ICC Staff Exhibit 2.0-C?

17 A. No.

18 Q. If I were to ask you today the questions
19 set forth in that document, would your answers be the
20 same?

21 A. Yes.

22 Q. Mr. Kahle, do you also have in front of you
116

1 what has been previously filed on e-Docket as the
2 rebuttal testimony of Daniel Kahle which has been
3 marked for identification as ICC Staff Exhibit 7.0
4 dated August 28, 2012 and which consists of a cover
5 page, table of contents, seven pages of narrative
6 text, and Schedule 7.01?

7 A. Yes.

8 Q. Mr. Kahle, was your rebuttal testimony
9 prepared by you or under your direction, supervision
10 and control?

11 A. Yes.

12 Q. Do you have any additions, deletions or
13 modifications to make to that testimony or the
14 attached schedule?

15 A. No.

16 Q. If I were to ask you today the same series
17 of questions set forth in those documents, would your
18 answers be the same?

19 A. Yes.

20 MS. LUCKEY: At this time, staff would move to
21 admit into evidence the corrected direct testimony of
22 Daniel Kahle, ICC Staff Exhibit 2.0-C and its

1 previously described schedules and attachments, and
2 the rebuttal testimony of Daniel Kahle, ICC Staff
3 Exhibit 7.0 along with its previously described
4 schedule subject to cross-examination.

5 JUDGE ALBERS: Thank you. I'll address the
6 admission of it following cross-examination.

7 I understand Ameren and both AG and
8 AARP have questions for Mr. Kahle. Who would like to
9 go first?

10 MS. SEGAL: We can let AG go first if they
11 would like.

12 MR. O'BRIEN: That's fine.

13 Good afternoon, Mr. Kahle.

14 THE WITNESS: Good afternoon.

15 MR. O'BRIEN: My name is Tim O'Brien, and I'm
16 with the Office of the Attorney General representing
17 the People of the State of Illinois, and, in the
18 famous words of every attorney, I just have a few
19 questions for you.

20 CROSS-EXAMINATION

21 BY MR. O'BRIEN:

22 Q. If I can direct you to your rebuttal

1 testimony at page 7, line 132.

2 A. I'm there.

3 Q. I'm sorry. Did you say you were there?

4 A. Yes.

5 Q. Okay. Sorry.

6 In response to the question asked of
7 you at line 130, you indicate that you did not adopt
8 Mr. Brosch's proposal to set income tax lead lag days
9 to zero.

10 Was this a decision based upon your
11 understanding of income tax related cash flows?

12 A. No. It's based on how we as a practice
13 calculate cash working capital for income tax or
14 practice to take the taxes from revenue requirement
15 and apply the expense lead as calculated in the lead
16 lag study.

17 Q. And have you studied Ameren's actual
18 payments of income taxes to see, first of all, if
19 they are making any payments of federal income taxes?

20 A. I did not make a study of their taxes.

21 Q. So it would be fair to say that also you
22 would not know if Ameren is currently paying any

1 state income taxes as well?

2 A. That's correct.

3 Q. Mr. Kahle, are you, in your position,
4 familiar with the phrase net operating loss
5 carryforward?

6 A. Yes.

7 Q. Do you know if Ameren currently finds
8 itself with a net operating loss carryforward
9 position?

10 A. That's my understanding from Mr. Brosch's
11 testimony.

12 Q. And are you aware if having such a position
13 means that no be income tax payments would be made to
14 the federal government?

15 A. That's my understanding, yes.

16 Q. At line 132, you state that, quote, "The
17 Commission has a long standing practice of accepting
18 income taxes calculated with standard rates."

19 And by standard rates, do you mean
20 statutory tax rates?

21 A. Yes, I do.

22 Q. And also, when you talk about how taxes

1 are, quote, "calculated" in this context, are you
2 talking about income tax expenses that are included
3 in the revenue requirement?

4 A. Yes, I am.

5 Q. And would you agree that Ameren calculates
6 and records two types of income taxes on its books --
7 taxes that are currently payable as well as deferred
8 income taxes that are expected to be paid in future
9 years?

10 A. I believe that to be correct, but I didn't
11 investigate that.

12 Q. Would you agree or disagree with the
13 concept that there can be no measurable cash lag days
14 attributable to deferred income tax expenses because
15 these types of income taxes are not being paid to any
16 taxing authorities?

17 A. I understand the concept, but the basis for
18 my calculation of cash working capital is using
19 income taxes and deferred taxes from the revenue
20 requirement.

21 Q. Okay. Mr. Kahle, if I could just direct
22 you to your Schedule 7.01.

1 A. I'm there.

2 Q. And let me just get to the page here. I
3 should be on the first page at line 21.

4 A. I'm there.

5 Q. Is it correct that this schedule assigns a
6 negative 37.88 lead day value to state income taxes
7 at line 21 and also to federal income taxes at line
8 22?

9 A. That's correct.

10 Q. And are the dollar amounts in column B in
11 all of these rows also -- hang on one second here.
12 I'm confusing myself trying to clarify things for
13 myself.

14 Are the dollar amounts on these rows
15 in column B also included up here in line 4 where it
16 says total receipts that were assigned a revenue lag
17 of 49.75 days?

18 A. Not per se, but the revenue comes from the
19 revenue requirement and then is adjusted as you can
20 see on the second page so you can see the total
21 receipts and total outlays are equal.

22 Q. So looking at this schedule and if I've

1 done the math correctly, I'm going to try to direct
2 you to an exact line here if I can, again, we're
3 still on line 21. So if I've done the math here
4 correctly, your inclusion of \$8.845 million of state
5 income taxes with a net lag of 11.97 days would have
6 the effect of increasing cash working capital by
7 about \$290,000. Would you agree?

8 A. By how much did you say?

9 Q. By about 290,000.

10 A. Okay. I'm looking at the amount in column
11 E which is 918.

12 Q. Just to probably save everyone some time,
13 Mr. Kahle, I think maybe I can clarify how I reached
14 that \$290,000.

15 If we take the net lag of 11.97 days
16 by 365 days and multiply that by 8.845 million, it
17 comes out to about 290,000.

18 A. Okay. I didn't do that calculation but
19 subject to check I suppose.

20 MS. LUCKEY: I'm sorry. Can you clarify what
21 that calculation is of?

22 MR. O'BRIEN: It is the net lag of 11.97 days,

1 assuming 365 days, times 8.845 million. I'm sorry.
2 That's divided by 365 days.

3 Okay. We can move on.

4 Again, using the same approach --
5 unless there was an objection, Ms. Luckey?

6 MS. LUCKEY: No. There's no objection. I just
7 want to make sure what your calculation equals with
8 that number, what that 8.845 million is. I'm not
9 sure I see it anywhere on Mr. Kahle's schedules
10 unless this is a number the AG has calculated
11 themselves.

12 MR. O'BRIEN: Perhaps if I just ask a question,
13 that will help clarify what I'm asking.

14 MS. LUCKEY: Okay.

15 Q. BY MR. O'BRIEN: Mr. Kahle, earlier when
16 you said that your treatment is based on the revenue
17 requirement, are you referring to Ameren's reported
18 or proposed revenue requirement?

19 A. Staff's revenue requirement.

20 Q. So then the 8.845 that appears on line 21,
21 would that have been based on a number provided to
22 you by Ameren?

1 A. The 8.845 comes from staff's Schedule 6.01.
2 It was calculated there.

3 Q. And was that your calculation or the
4 company's?

5 A. Neither. I believe Schedule 6 is staff
6 witness Ebrey.

7 Q. Okay. Now, using the same approach, that
8 we had discussed previously with the state income
9 taxes, can you tell me if your treatment of federal
10 income taxes increases cash working capital per staff
11 on line 25 by about 1.7 million, and that again would
12 be 11.97 divided by 365 days, and that would be
13 multiplied by the --

14 A. Well, I can't confirm the amount but it
15 would increase the cash working capital per staff.

16 Q. Subject to check, would you accept my
17 calculation?

18 A. Yeah, subject to check. I'm sure you're in
19 the ballpark but I don't trust myself without a
20 calculator.

21 Q. Okay. Can you explain how -- one moment,
22 Your Honor?

1 (Whereupon an off-the-record
2 discussion transpired between
3 Mr. O'Brien and Ms. Lusson.)

4 Q. Okay. Does Schedule 7.01 reflect any
5 distinction whatsoever between the amounts of
6 Ameren's income tax expenses that are currently
7 payable versus the expenses that are deferred and not
8 being paid?

9 A. I'm not sure I understand the question.
10 The amounts here come directly from staff's revenue
11 requirement which are, the income taxes are based on
12 statutory rate.

13 Q. So then, Mr. Kahle, are you adopting the
14 company's assumptions about the statutory rate, about
15 using the statutory rate?

16 A. I'm going to say no because it's based off
17 of staff's schedule which has the rates. That again
18 would be I believe a schedule of Ms. Ebrey.

19 Q. Mr. Kahle, have you investigated yourself
20 whether there's any distinction in the staff
21 calculations and schedules between Ameren's tax
22 expenses that are currently payable versus those that

1 are deferred and not currently made payable?

2 A. No, I have not.

3 MR. O'BRIEN: Thank you very much, Mr. Kahle.

4 JUDGE ALBERS: Ameren?

5 MS. SEGAL: Good afternoon, Mr. Kahle. My name
6 is Rebecca Segal. I'm an attorney for Ameren
7 Illinois, and I just want to ask you a couple
8 questions about cash working capital.

9 And, Your Honors, in the interest of
10 time, staff and the company have stipulated to the
11 admission of the hearing transcript excerpt of
12 Mr. Kahle's cross-examine from 12-0001 dated June 20,
13 2012, and we have marked this as Ameren Cross
14 Exhibit 1.

15 (Whereupon Ameren Cross Exhibit
16 1 was marked for identification
17 as of this date.)

18 MS. SEGAL: Your Honors, Ameren would like to
19 move for the admission of Cross Exhibit 1.

20 JUDGE ALBERS: Did you have any other
21 questions?

22 MS. SEGAL: No.

1 JUDGE ALBERS: Oh, this is it?

2 MS. SEGAL: Yes.

3 JUDGE ALBERS: Oh, that's fine. Okay.

4 Any objections then to the admission
5 of Ameren Cross Exhibit 1?

6 Hearing none, then Ameren cross
7 Exhibit 1 is admitted.

8 (Whereupon Ameren Cross Exhibit
9 1 was admitted into evidence at
10 this time.)

11 CROSS-EXAMINATION

12 BY MS. SEGAL:

13 Q. Mr. Kahle, you testified on the issue of
14 cash work capital in Ameren's initial formula rate
15 filing which is Docket 12-0001, correct?

16 A. Yes.

17 Q. And so you're aware that the company has
18 not changed its position regarding cash working
19 capital in this case?

20 A. That's correct.

21 Q. And you agree that the company has not
22 changed how it calculates cash working capital?

1 A. That's correct.

2 Q. And you also agree the company has not
3 changed its proposed treatment of pass-through taxes?

4 A. That's correct.

5 Q. And is it correct that you have proposed a
6 revenue lag of zero days be assigned to two
7 pass-through taxes, the energy assistance charge and
8 the municipal utility taxes?

9 A. That's correct.

10 Q. And I'll just refer to those as the EAC and
11 the MUT.

12 Mr. Kahle, you performed no
13 independent analysis in 12-0001 of the timing
14 difference between the company's receipt and
15 remittance of the funds associated with these
16 pass-through taxes, right?

17 A. That's correct.

18 Q. And you performed no independent analysis
19 in this proceeding of the timing difference between
20 the company's receipt and remittance of the funds
21 associated with the pass-through taxes?

22 A. That's correct.

1 Q. Mr. Kahle, you state in your rebuttal
2 testimony at lines 64 to 71 that you accepted the
3 company's calculation of lead days for the EAC and
4 MUT, is that correct?

5 A. That's correct.

6 Q. Now, given that you accepted the company's
7 expense lead, you appear to agree as to when, in
8 fact, the company remits payment of pass-through
9 taxes, is that correct?

10 A. Say that again.

11 Q. Given that you accepted the company's
12 expense lead, you appear to agree as to when, in
13 fact, the company remits payment of the pass-through
14 taxes, correct?

15 A. That's correct.

16 Q. So the result of your adjustment, however,
17 is to treat the pass-through taxes as if the company
18 has access to the funds associated with both the EAC
19 for a net of 38.54 days and the MUT for a net of
20 48.54 days?

21 A. I'm sorry. Did you say 48.54 days for MUT?

22 Q. Yes.

1 A. That's correct.

2 Q. Now, to your knowledge, has the company
3 modified its remittance schedule subsequent to the
4 order in Docket 11-1282?

5 A. Not that I'm aware of.

6 Q. And you would agree that the company has
7 both gas and electric operations, correct?

8 A. That's correct.

9 Q. And you would agree that both are part of
10 the same utility, right?

11 A. Gas and electric, yes.

12 Q. And you are familiar with their billing
13 practices, correct?

14 A. I'd say not intimately.

15 Q. But you're generally familiar or you are
16 aware of their business or of their billing
17 practices?

18 A. Generally.

19 Q. You would agree, would you not, that both
20 electric and gas operations utilize the same billing
21 practices, correct?

22 A. I couldn't confirm that but I believe it to

1 be true.

2 Q. And you would agree that both electric and
3 gas operations utilize the same billing and
4 accounting systems?

5 A. Again, I don't know that to be true but I
6 assume it is.

7 Q. And you agree that the practices for
8 collection and remittance of pass-through taxes are
9 the same for the gas and electric operations?

10 A. As far as I know they are, yes.

11 Q. And you would agree, would you not, that
12 the company has combination customers?

13 A. Yes.

14 Q. And you would also agree that the
15 combination customers get only one bill from the
16 company, correct?

17 A. I don't know that so I don't know if I can
18 agree to that. I just don't know.

19 MS. SEGAL: No further questions. Thank you.

20 JUDGE ALBERS: Thank you.

21 Did you have any redirect?

22 MS. LUCKEY: May I have a moment to defer with

1 my client?

2 JUDGE ALBERS: Yes.

3 (Pause)

4 MS. LUCKEY: Staff will not have any redirect.

5 JUDGE ALBERS: Thank you.

6 Any objection to the aforementioned
7 exhibits for Mr. Kahle?

8 Hearing none, Staff Exhibit 2.0
9 Corrected and the attachments and 7.0 and its
10 attachment are admitted.

11 (Whereupon Staff Exhibits 2.0
12 and 7.0 were admitted into
13 evidence at this time.)

14 JUDGE ALBERS: Thank you, Mr. Kahle.

15 (Witness excused.)

16 JUDGE ALBERS: I'm afraid to try to pronounce
17 the next witness's name again.

18 MR. KENNEDY: Pagel.

19 JUDGE YODER: Ms. Pagel, were you previously
20 sworn?

21 MS. PAGEL: Yes.

22 JUDGE YODER: All right.

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KATHLEEN PAGEL

called as a witness herein, on behalf of Ameren
Illinois Company, having been first duly sworn on her
oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KENNEDY:

Q. Ms. Pagel, would you please state and spell
your name for the record?

A. My name is Kathleen Pagel (P-a-g-e-l).

Q. And what's your current business address?

A. My business address is 300 Liberty Street,
Peoria, Illinois 61602.

Q. And by whom are you employed?

A. I am employed by Ameren Illinois Company.

Q. Do you have in front of you what's been
previously marked Ameren Exhibit 14.0 with exhibits
attached Ameren Exhibits 14.1 through 14.4, the
rebuttal testimony of Katherine A. Pagel?

A. Yes.

Q. Do you also have in front of you what's
previously been marked for identification Ameren
Exhibit 24.0 with attached exhibits, Ameren

1 Exhibits 24.1 through 24.3 which has been designated
2 the surrebuttal testimony of Kathleen A. Pagel?

3 A. Yes.

4 Q. And as you sit here today reviewing that
5 testimony, are the answers that you gave in that
6 testimony true and accurate to the best of your
7 knowledge?

8 A. Yes, they are.

9 Q. And this testimony, your rebuttal and
10 surrebuttal testimony was prepared by or prepared
11 under your direction?

12 A. Yes.

13 Q. And if I were to ask the same questions
14 today that are in your testimony, you would give me
15 the same answers?

16 A. Yes, I would.

17 MR. KENNEDY: Your Honors, I offer her up for
18 cross-examination.

19 I know AG and AARP is the only party
20 that has questions. We've talked and we thought it
21 would be best if the judges, Your Honors, asked their
22 questions first if that's okay.

1 JUDGE YODER: Before we get to Judge Albers,
2 could you go through her exhibits again?

3 MR. KENNEDY: Yes. It was Ameren Exhibits 14.1
4 through 14.4 to her rebuttal and then...

5 JUDGE YODER: That's fine. I misheard or
6 stopped listening.

7 Go ahead.

8 JUDGE ALBERS: All right. Well, I suppose I
9 can go first.

10 CROSS-EXAMINATION

11 BY JUDGE ALBERS:

12 Q. I am basically trying to understand more
13 about the nature of the various costs that you and
14 Ms. Chang are debating in terms of what they're for
15 exactly and whether they're appropriate for inclusion
16 in rates so just bear with me.

17 I'm going to be referring to your
18 exhibits a lot to try to get, you know, ideas of
19 what's behind some of the names and whatnot.

20 A. Okay.

21 Q. I will just start with Ameren Exhibit 14.3.
22 That relates to advertising expenses.

1 A. Okay.

2 Q. Starting with page 2. On this particular
3 exhibit -- I'll let you get there. I'm sorry.

4 A. I'm sorry. 14.1 or 3?

5 Q. 14.3.

6 A. Okay.

7 Q. And this particular exhibit -- I have a
8 black and white version -- in gray highlighted rows
9 are the ones the company is on its own choosing to
10 exclude from rates, is that correct?

11 A. That is correct.

12 Q. Okay. Could you tell me more about how the
13 columns entitled "Customer Benefit" and "Description
14 of Work," the two columns there, how they relate to
15 the column entitled "Description of Billed Services"?

16 A. Okay. The description of billed services
17 was defined by Ms. Chang when she set up the
18 worksheet. The customer benefit and description of
19 work were added mostly because sometimes when you
20 look at the invoice, it's not very specific to
21 exactly what the work was doing, so I added more
22 information so she would understand what the costs

1 were for.

2 Q. Okay. So the column "Description of Billed
3 Services" is Ms. Chang's description?

4 A. Uh-huh.

5 Q. And then the latter two columns, "Customer
6 Benefit" and "Description of Work", are your
7 description?

8 A. Right, and it includes more information on
9 what exactly the costs were, the expenses were for.

10 First let's take an example, the very
11 first line, the description of work was Act on Energy
12 Symposium Leadership Summit. That was probably the
13 subject of the invoice line. The benefit was -- what
14 was the benefit to the customer, that's the question,
15 and the benefit was that business customers learned
16 about energy efficiency information and our website
17 actonenergy.com, and the description of the work was
18 there was video work done using those dollars and
19 focusing on that.

20 So it's just more detail to help her
21 understand what the costs were for.

22 Q. Okay. Do you know where she got the

1 description she used in "Description of Billed
2 Services"? Was that originally something Ameren
3 provided or was that something she came up with on
4 her own?

5 A. I think she got that information right off
6 the invoice. There was probably a hundred or so
7 invoices, so if you just take them -- they're set up
8 kind of like a memo, and so "Description of Billed
9 Services" would have been like the memo field, the
10 subject of the memo field.

11 Sometimes it's clear; sometimes it is
12 not at all.

13 Q. All right. One area that confused me is on
14 page 2 there for example, the very bottom row. In
15 the "Description of Billed Services" column, the
16 reference is writing services (Tom Voss business
17 cards), and I wasn't sure how, for example, that
18 particular one matched up with the other two columns.

19 A. That's a really good example. Sometimes
20 there were basic errors in the description, and when
21 there were errors, I put in greater than/less than
22 signs to mark it. Actually, this one was writing

1 services so when the data was being entered into the
2 spreadsheet, there was an error in what was entered
3 because if you look at the voucher number and the
4 invoice number, it's specifically for a writer
5 writing our monthly newsletter articles.

6 Q. I'm sorry. You said the invoice and the
7 voucher number would tell me what?

8 A. Would tell you exactly which invoice it
9 was, and when you look at that invoice, Tom Voss
10 business cards was not included on that information,
11 so I didn't want to remove it. It would look like I
12 was doing something with the data. I just put it in
13 marks so that we knew it was there but it was not
14 right.

15 Q. Okay.

16 A. There's a few others like that; not many.

17 Q. Well, I guess there were other entries that
18 confused me as well, and I won't try to go through
19 all of them but just by way of example, on page 5 of
20 the same exhibit, line number 201, is that another
21 example of that?

22 A. Yes.

1 Q. It is?

2 A. Uh-huh.

3 Q. Where it says communications management
4 services <+ out-of-pocket for meals/mileage/XPS Poll
5 Tracker #9 press release headline: "AFL-CIO to
6 lawmakers: Grid modernization all about jobs", that
7 almost sounds like a lobbying expense to me but
8 you're saying it's not really that?

9 A. No. Serafin & Associates is our
10 communications management services consulting firm.
11 My guess is they took that somewhere off of an
12 invoice that they had, so that information is on one
13 of the invoices.

14 Q. And then for the customer benefit for that
15 particular row, it indicates that it's for clear,
16 concise managing for storm response and emergency
17 communications. That's what you're telling me that
18 expense really is for?

19 A. Right. That's what Serafin & Associates
20 are used for. They're also for public relations.

21 I would assume that this was maybe an
22 item on the invoice. I'm not exactly sure who put

1 the data into the sheet except that's what's there.

2 Q. Okay. I'm not suggesting that you did
3 anything. I'm just trying to figure out for
4 myself...

5 A. Yeah, I understand.

6 I did not remove anything she had in
7 the worksheet so...

8 Q. Well, I'm not suggesting that.

9 A. I just wanted to make sure that everybody
10 understood what it was so I tried to clarify it as
11 clearly as we could.

12 Q. On page 6 for example, line 144, in this
13 example, it talks about research/review of potential
14 name options for Ameren's new gas pipeline.

15 Can you tell me -- and in the customer
16 benefit column it talks about various communications
17 including messaging for diversity activities, use
18 letter template and sustainability actions.

19 Now, I should back up for a minute for
20 the record so it's clear, line 144 also references a
21 diversity parade banner. I'm not worried about that
22 or anything. I'm just saying is some of this money

1 actually spent on trying to figure out a name for a
2 pipeline as far as you can tell?

3 A. You're on page 6?

4 Q. Yes, line 144.

5 A. Oh, it's right at the bottom?

6 Q. Yes.

7 A. Okay. I found it. Yes, it would be.

8 Q. And the next line, line 219, graphics for
9 decals on vehicles, is that part of the renaming of
10 the company from AmerenIP to Ameren Illinois for
11 example?

12 A. Yes.

13 Q. Turning to page 7, line 148.

14 A. Okay.

15 Q. Was that actually for business cards for
16 Mr. Voss?

17 A. Yes.

18 Q. That was over \$5,000 worth of business
19 cards?

20 A. I think -- well, the basic design of the
21 new business cards was included in that. There might
22 have been other things but that's what's included

1 here.

2 Q. Similar question on page 8, line 152.

3 A. This was part of the public communication
4 campaign, the identity and education on the Focused
5 Energy For Life as we started to work with that and
6 change things. That's what that would include.

7 Q. And that was for business cards and
8 volunteer-ware?

9 A. This is probably all the same but that's
10 included.

11 Q. And that was for strategy and plan for
12 integration of promise in the communication
13 materials?

14 A. Right. The promises, the public education
15 campaign.

16 Q. Is that the Focused Energy for Life?

17 A. Yes, uh-huh.

18 Q. How does business cards and volunteer-ware
19 factor into that program?

20 A. How does it factor in? Well, when you
21 start a whole new campaign and a whole new program,
22 part of that is changing the information that you

1 present to the customer in all forms, and that would
2 include whatever faces a customer or even the
3 internal customers, and that would be business cards.
4 That would be things like any of our stationery.
5 That would include any kind of power point material,
6 things like that. Anything the customer really would
7 see, including clothes.

8 Q. And on page 10, line 208...

9 A. Okay.

10 Q. ...description of billed services, it reads
11 consultation for month, billing info, meeting on
12 messaging, and then reviewed industry info (Smart
13 Grid and SB 1652).

14 A. Uh-huh.

15 Q. Then on customer benefit, it talks about
16 clear and consistent customer communications;
17 description of work: Consultation services.

18 A. This work would have been some of the
19 beginning consultation services that were used for
20 the public information campaign. We did a lot -- we
21 did one commercial, TV commercial in outreach on
22 Smart Grid.

1 Q. What was the nature of that public
2 information campaign?

3 A. That was Focused Energy for Life as you
4 know it. That's what we call it.

5 Q. Trying to promote Senate Bill 1652?

6 A. No. Smart Grid, Senate Bill 1652 had some
7 information about reliability. It focused on that,
8 so Smart Grid was somewhat aligned with that.

9 It really had more to do with
10 reliability than Senate Bill 1652. I think they're
11 both kind of one in the same.

12 Q. Could you refer to page 16 of that same
13 exhibit?

14 A. Okay.

15 Q. Line 156 down into that page, can you tell
16 me -- what can you tell me about Strategic
17 International Group because I think that was one of
18 the other expenses that was specifically mentioned by
19 I think it was Ms. Chang. What can you tell me about
20 that organization?

21 A. They were a consulting firm working with
22 public relations specifically in the area of services

1 and energy assistance services for lower income, so
2 when we did any kind of campaigns around that, we
3 would seek their advice on what would be the best way
4 to present that or their ideas on how to present
5 that.

6 Q. Who did Ameren work with at Strategic
7 International Group?

8 A. I think the contact there was Emil Jones
9 and his staff.

10 Q. Is he the principal of that organization?

11 A. I believe so.

12 Q. So what did the company get specifically
13 for \$15,000 a month for those several months?

14 A. Basically, his services were consulting
15 service and just the ability to call him when we
16 needed him; consulting services.

17 Q. Moving to P cards, you describe a little
18 bit in your testimony what a P card is.

19 Could you, just so I don't misstate
20 it, could you describe it again?

21 A. Yes. P card stands for purchasing card, so
22 basically, it's a company credit card. The use of

1 the card is for everyone to put expenses on the
2 credit card instead of having to turn in paper
3 expense forms. It's all automated electronically,
4 approved electronically and accounted for that way.

5 Q. Okay. How is it determined who gets one?

6 A. The supervisor really determines it. It
7 has more to do with what kind of work you do. If
8 you're in the field and you're, for instance, in
9 storm restoration, our field people have them or else
10 they're staying overnight or having to buy meals, so
11 instead of having to pay cash or make charges another
12 way, they have their purchasing card.

13 We use it in our department if we're
14 out in a community and working at an event and you
15 need a meal or to stay overnight or driving a rental
16 car, gas in the car, those kinds of things.

17 Q. Okay. Do you have one?

18 A. Yes.

19 Q. Are there any written criteria on limits on
20 their use?

21 A. Yes, there are. I'm sure there's a lot of
22 rules around the purchasing card.

1 I think what really defines the limit
2 of use is generally there's a matrix of how much
3 money you're approved to spend on your card, total
4 amount spent and per purchase amount.

5 So, for instance, \$5,000 total for the
6 month and your major purchase can only be a thousand
7 dollars, definitions like that.

8 I'm not really specifically sure, but
9 there's different levels for the card use.

10 Q. Do you administer them or do you --

11 A. No, I just have one.

12 Q. Okay. Do you --

13 A. We each have an expense account so we do
14 know somewhat about them.

15 Q. Are there multiple individuals within the
16 company that have authority over approving expenses
17 or just one person?

18 A. Typically it's your supervisor, but if they
19 are away or not able to approve your card, because
20 the charges on the card have to be approved within a
21 30-day timeframe, if that's not met, then somebody
22 else has to step in.

1 So like if my supervisor was not
2 there, then my manager would approve the card, the
3 expense, so it kind of goes up the chain.

4 Q. Oh. So the manager is above the
5 supervisor?

6 A. Uh-huh.

7 Q. Okay. I guess I'm still not clear if
8 there's any limits on their particular uses in terms
9 of choosing A or B.

10 So just by way of an extreme example,
11 if you're riding in a car, you know, is there
12 anything that says you cannot get the BMW. You must
13 get the Ford.

14 I mean, is there any kinds of
15 guidelines like that?

16 A. They're written...every time I rent a car
17 there's a very specific kind of car I'm supposed to
18 get, so I think your supervisor tells you what
19 limits, those kinds of things.

20 It's more I think defined at the
21 department or the use level versus the corporation
22 saying this is how you're going to use your card.

1 Q. Okay. So it might vary based on the
2 particular --

3 A. So for the communications department, we
4 have specific rules on what the card is used for and
5 what it's not, what charges go where and those kinds
6 of rules.

7 Q. Okay. And different departments might have
8 different rules or parameters?

9 A. Uh-huh, yes.

10 Q. Are you aware of any expenses that a
11 supervisor has denied generally speaking? Has it
12 ever happened?

13 A. Uh-huh.

14 Q. Okay.

15 A. Generally the purchasing card entries that
16 are made that have incorrect accounting are rejected
17 by the supervisor.

18 Q. I'm sorry. Would you repeat that?

19 A. Incorrect accounting.

20 Q. Okay.

21 A. Also, if something was purchased that
22 shouldn't have been purchased on the card, that's

1 also rejected.

2 I know of one example of that, and I
3 referred to it in my data request.

4 That does not generally happen.

5 Q. I'm sorry. Which one doesn't generally
6 happen?

7 A. When somebody uses the card incorrectly.
8 Usually the card is used for business purposes only.

9 Q. Okay. And by accounting not matching it or
10 however you phrased it, could you describe what you
11 mean by that?

12 A. With the purchasing card, if you use it for
13 meals, it needs to go to accounting that has an 82 in
14 the accounting field.

15 If it's for personal, for instance,
16 things that I buy and I use for me like a rental car
17 or gas, that has an 80 in the string, and when it has
18 something to do with something different like a
19 membership purchase, that has a different accounting
20 string, so everybody has to know which accounting to
21 charge it to.

22 That's probably the most complicated

1 part of the expense account.

2 Q. It sounds complicated.

3 A. It is.

4 Q. So if you rented a car and accidentally put
5 it into Account 82 which is for...

6 A. Food.

7 Q. ...food...

8 A. Meals.

9 Q. ...what happens then?

10 A. Supervisor rejects it, and you have to
11 revise it to the right accounting.

12 Q. Okay. So you take your card each month and
13 itemize where the expense, which accounts the various
14 charges should be put in?

15 A. Uh-huh. Everybody generally every 30 days
16 or even more frequently does the cards or turns their
17 expenses in.

18 Q. Okay.

19 A. Each expense must also have a receipt with
20 it showing what the purchase was for, where it was
21 made, and typically, why it was made is written on
22 the receipt.

1 out, so I think the answer to that is yes.

2 Q. Let me just put it this way.

3 If it's indicated, if the number in
4 the right column is indicated with parentheses, does
5 that mean it was not to be recovered? Is that a fair
6 thing to say?

7 A. I'm not sure which ones you're referring
8 to.

9 Q. Looking at page 3 for example, about the
10 middle of the page, I'm assuming that we're not
11 seeking to recover the Hilton Hotels Disney expense?

12 A. No.

13 Q. That's not --

14 A. Correct.

15 Q. Okay. Thank you.

16 So if it's got parentheses around it,
17 it's not meant to be recovered?

18 A. Actually, that is a credit onto the card.

19 Q. Right. I mean, it's not an effort to be
20 recovered from ratepayers.

21 A. Correct.

22 Q. It's a credit to the card because

1 apparently somebody may have inadvertently charged it
2 and then added it back.

3 Does that make sense?

4 A. Could be. That's definitely not being
5 recovered.

6 Q. Okay. Looking at page 4 of that same
7 exhibit, in the left-hand column, there's several
8 business names but every once in a while there's a
9 numeric, alpha numeric code. What does that mean?

10 A. That's the employee number of the person
11 making the charges.

12 The one that starts with an E, that's
13 an employee ID number.

14 Q. And if it was just a number by itself, is
15 that different then?

16 A. Yes. That's more general accounting.

17 Q. Well, so it appears that Ameren seeks to
18 recover most of the entries in Exhibit 14.4. Some of
19 them caught my eye as I went through it.

20 I think, looking on page 4 for
21 example, there's a charge to Macy's, Von Maur, page
22 5, a charge to Triple A Trophies.

1 Does that make sense to you as an
2 appropriate use of the P card?

3 A. Without seeing the rest of the information,
4 I would tend to agree with this because the
5 supervisors approved it. There's a lot more
6 information that you can see. This may be somewhat
7 misleading like Von Maur, they may have bought, I
8 don't know, socks for people who are doing storm
9 restoration. It's kind of hard to tell, but because
10 they're here and I know that they've been approved, I
11 would say that they are costs related to and should
12 be recovered.

13 Q. Okay. Well, just flipping through this
14 document, I see charges of Savvi Formalwear.

15 JUDGE YODER: It's on page 9.

16 JUDGE ALBERS: I'm sorry; yes, page 9.

17 JUDGE YODER: Three-fourths of the way down.
18 Well, they're in alphabetical order.

19 THE WITNESS: Okay. I see that, \$35.95.

20 JUDGE ALBERS: Right.

21 Q. I mean, the amount is small admittedly.
22 I'm sure nobody would notice that charge whether it

1 was there or not on their customer bill.

2 I'm just looking at the general use of
3 the P cards and staff seeking to exclude the charges
4 from rates, and while I'm not suggesting, you know,
5 that Jimmy John's or Marathon Oil is anything
6 improper, I'm just wondering generally how the P card
7 is used.

8 Are you still thinking about that or
9 are you --

10 A. I don't have more information for you on
11 that without seeing the rest of the information.

12 JUDGE ALBERS: Well, okay.

13 MR. KENNEDY: Your Honor, if I may interrupt.

14 JUDGE ALBERS: Go ahead.

15 MR. KENNEDY: I don't know if you're aware of
16 it, but there is another version of this exhibit that
17 was Attachment A to Ms. Chang's rebuttal testimony
18 which does have additional information on P card
19 charges above a certain amount.

20 JUDGE ALBERS: Okay.

21 Do you have that?

22 THE WITNESS: Uh-huh. Unfortunately, it didn't

1 have any of the ones that he asked about.

2 MR. KENNEDY: Right. It was above a certain
3 amount.

4 JUDGE ALBERS: Right. I think it was \$200.

5 MR. KENNEDY: Correct.

6 THE WITNESS: Yes.

7 JUDGE YODER: Do you want me to ask mine?

8 JUDGE ALBERS: Go ahead.

9 CROSS-EXAMINATION

10 BY JUDGE YODER:

11 Q. So do you think in Ms. Chang's, it would be
12 the one that's on page 11 of 14, it's the fourth one
13 down from the Marriott Harbor Beach which appears to
14 be in Fort Lauderdale, Florida would be additional
15 information on that one?

16 A. I know about that one because when I was
17 going through it I saw it, and that one, there was a
18 conference there regarding storm preparation and
19 outage communications, and that was the person who
20 stayed at that facility because that's where the
21 conference was.

22 Q. Okay. Well, let's go down. You say you

1 think Ms. Chang has further information in her
2 exhibit about ones over 200?

3 A. Uh-huh.

4 Q. Okay. If you go down on that same page
5 under I guess you say it's employee No. E51476, it's
6 almost to the bottom, there's \$299.31 for ASCAP
7 licensing fee or Dish Network two down below that
8 one.

9 A. Okay.

10 Q. Do you know what those might be about to
11 assuage our concerns?

12 A. Okay. To track news and storm-related
13 information, we have a setup in our office for Dish
14 Network, and that's what it's used for, a news
15 channel basically, news and weather.

16 Q. Okay. How about licensing fee for the
17 music, do you know about that one?

18 A. Oh, the music, yes, we looked into that
19 several times, and we've tried to get rid of that
20 one, but when you call in and there's music on your
21 phone, you're required to pay a copyright for that
22 music, and that's that.

1 JUDGE ALBERS: What was that one?

2 JUDGE YODER: It's the licensing fees for
3 American Society of Composers, Authors, and
4 Publishers.

5 JUDGE ALBERS: Oh, okay.

6 JUDGE YODER: You pay a half cent per song or
7 whatever.

8 THE WITNESS: And we've asked about that one,
9 and unless you take the music off the phone, which
10 our customers...

11 JUDGE YODER: I never got any -- off the
12 record.

13 (Off the record)

14 JUDGE YODER: Okay. Back on the record.

15 CROSS-EXAMINATION

16 BY JUDGE ALBERS: (Cont'd)

17 Q. On that same page, 11, finance charge for
18 cash advance, there's charges to Alaskan Airlines.

19 A. Okay. I'm not exactly following where you
20 guys are, but I can tell about Alaskan Airlines.

21 That was used for probably myself. I flew to
22 Bellingham, Washington to attend a conference on our

1 system that we use for our storm outage. It's called
2 PIER Systems, and they're incorporated in Bellingham,
3 Washington so that airline was used.

4 Q. Do you have Ms. Chang's exhibit in front of
5 you, attachment A to 8.0?

6 A. Karen's exhibit... okay. Which one? Is
7 it with her direct?

8 JUDGE YODER: Her rebuttal.

9 THE WITNESS: Her rebuttal. Okay. And which
10 one was it?

11 JUDGE ALBERS: It's Attachment A.

12 THE WITNESS: Okay. Yes. That's one I was
13 looking at and one Chris referred to.

14 JUDGE ALBERS: All right.

15 THE WITNESS: What I attempted in this exhibit
16 was to look at the credit card charges that were
17 greater than \$200 and respond with the data that
18 Karen asked for, the transaction date, the
19 description of the material, the purchase, and the
20 advertisement reference.

21 So, for instance, on page 5 under Best
22 Buy, \$230.75, it was a purchase of a flip camera, and

1 we use these for filming storm outage related
2 documentation, and we upload it to your outage.com
3 website to show our customers what's happening during
4 storm outage and restoration efforts.

5 Q. Well, can you turn the page to page 7?

6 A. Sure.

7 Q. And if you look about halfway down on that
8 page, there's an entry for the ISU Bone Student
9 Center, and it references the number \$500 for
10 parking.

11 A. Uh-huh. We had a managers meeting at the
12 Bone Center, and in order to get everybody there,
13 because there's not really a lot of parking around
14 ISU if you're familiar with the college, so the
15 parking was arranged, and we had quite a few people
16 there so that's what it was used for.

17 Q. And look on page, the same exhibit of
18 Ms. Chang's on page 25, and there's a couple of
19 entries for what appear to be florists at the bottom
20 of that page.

21 A. The very bottom, FTE Florists?

22 Q. Yes. Becks Florist, Tom's Florist, these

1 again are things that would typically be purchased on
2 a P card?

3 A. Typically flowers are used in our booths.
4 When, for instance, you have a booth at an event and
5 you have people coming in, to make it more welcoming,
6 you put flowers, and that would probably be some of
7 these. I can't exactly say on all of them.

8 Q. I understand, but it's possible it was used
9 at a booth?

10 A. Right.

11 Q. Okay. Just on the next page, page 26,
12 getting close to \$3,000 at Lands End for clothing
13 purchases. What --

14 A. Lands End purchases are for the people who
15 do customer and community outreach so that they're
16 wearing shirts and clothing that our customers can
17 tell who they are, so they have the Ameren logo on
18 the shirt, and that would be for things like that.

19 Q. So somebody just decided that Lands End is
20 the route to go when they place an order?

21 A. No. All the orders go through the
22 secretary in our area, so it's probably her card that

1 those are on, but we do it as a group, and they're
2 only purchased when we have an event or the media
3 people need it for media outreach. It's generally
4 purchased centrally through our secretary.

5 Q. Okay. I guess moving on to corporate
6 sponsorships, would you refer to Exhibit 14.2,
7 please?

8 I'm sorry. I want to back up to the P
9 card one more time.

10 So if I understood your earlier
11 testimony, I believe you indicated that it was seldom
12 or not often that an expense is injected as being
13 inappropriate for P card use?

14 A. In general, everybody is aware that the
15 purchasing cards are only used for business expenses,
16 so those are the ones that are submitted and only
17 used, and then the supervisor approves or rejects
18 those purchases.

19 Q. All right. And then I think you indicated
20 that each department would have different parameters,
21 conceivably, each department would have different
22 parameters on appropriate expenses?

1 A. Yes.

2 Q. Okay.

3 A. I am not totally sure. I can speak for our
4 department.

5 Q. Sure.

6 Do you know for your department is
7 there, on meals for example, is there a cap on how
8 much you can spend on a particular meal?

9 A. I think everybody is trusted to use their
10 common sense plus they usually have a time limitation
11 so it's usually McDonald's. You'll see some of
12 those.

13 Q. Yeah, I saw some of them.

14 A. But I don't think there's a defined limit.

15 Q. Okay. All right. Then turning back to
16 14.2, referring to pages 21, 22 and 23 in that
17 exhibit...do you have it?

18 A. Yes, I have it. This was the original list
19 of our corporate sponsorships with the initial filing
20 for the rate case.

21 Q. Is this list though an accurate list in
22 terms of recovery?

1 I'm sorry. Let me rephrase that.

2 Is this list still an accurate list in
3 terms of the sponsorship expenses that Ameren would
4 like to include in rates?

5 A. No.

6 Q. No. Okay.

7 Would you direct me to a current list?

8 A. Exhibit 14, the tops of my pages are cut
9 off so I can't see what it was. Exhibit 14.3, page
10 45?

11 MR. KENNEDY: 43 through 45 I think.

12 THE WITNESS: Correct. Thank you.

13 Q. BY JUDGE ALBERS: There are a few of these
14 I have some general questions about just to get an
15 idea how this works.

16 Just taking, for example, line 244 in
17 the middle of page 43.

18 A. Yes. I see it. Easter Seals of LaSalle
19 and Bureau County.

20 Q. Right.

21 A. Wine and polo on the prairie.

22 Q. Does that actually include wine and polo,

1 if you know?

2 A. I think it does. I have not attended that.
3 It's an Easter Seals community event, and we
4 sponsored it, and I'm pretty sure we have people
5 attend.

6 Q. Do the people who go there drink wine and
7 play polo then? Is that the idea?

8 A. I think they drink wine but they don't get
9 to play polo. I think they watch polo.

10 Q. Okay. Well, for example -- strike that.

11 Using as an example, the next one
12 above that, line 243 at the Lewis & Clark Community
13 College Golf Classic sponsorship, it looks like
14 Ameren contributed a thousand dollars of which 600 is
15 the electric portion.

16 Would people at Ameren have gone to
17 that and gotten to golf, play a round of golf then
18 for the afternoon? Is that how that works?

19 A. That's a possibility, yes.

20 Q. Okay. And again, with this particular
21 exhibit, the highlighted ones are the ones the
22 company is choosing to disallow on its own, is that

1 correct?

2 A. Correct.

3 Q. Okay.

4 A. And the ones that are disallowed are those
5 that include athletic tickets, and we disallowed
6 expenses that included athletic tickets. So some of
7 the sponsorships also fell into that category and we
8 disallowed that.

9 Q. But the golfing events were not?

10 A. That is correct.

11 Q. Okay. I think back on page 43, close to
12 the top there you had apparently purchased several
13 tables for S. Cissel's induction into Hall of Fame.
14 Can you tell me anything about that?

15 A. I certainly can. That was -- this is a
16 major event in the Peoria area. Each year the group,
17 the African American Hall of Fame Museum inducts
18 several people into their Hall of Fame, and these
19 people who are inducted have been recognized for
20 their work with diversity in the Peoria/Greater
21 Peoria area, and 2011 was the year that Scott was
22 inducted into the Hall of Fame.

1 Q. Okay. And those who went then got dinner
2 at the ceremony?

3 A. Correct.

4 Q. So did five tables attend?

5 A. That's correct.

6 Q. So possibly 50 people went?

7 A. Yes. I think approximately between -- it
8 depends each year. The numbers change quite a bit,
9 but I would say between 300 and 500 people attend the
10 event.

11 Q. Oh, I'm not questioning the event.

12 A. I just wanted to give you a sense of if it
13 was a lot or those were the only people there.

14 Q. Oh, no. I figured there were other
15 attendees.

16 A. Uh-huh.

17 MR. KENNEDY: Your Honors, if I could also be
18 of assistance, there's also additional sponsorship
19 information on Exhibit 24.2 that you can look at for
20 some of these events.

21 Q. BY JUDGE ALBERS: On page 45 of that
22 exhibit, it looks like on line 2, what is the Ameren

1 anniversary book? What is that for?

2 A. An effort was made in 2011 to document the
3 history of the legacy companies, and that would
4 include CILCO, IP, and CIPS and also UE, and a State
5 of Illinois booklet was put together and printed and
6 given to people who were interested in the history of
7 the company. It was distributed internally, and we
8 had extra books for customers that were interested.
9 We also distributed those books to each of them.

10 Q. Almost done. I'm sorry.

11 A. No problem.

12 Q. On 14.2 then. I'm sorry, strike that.
13 Let's move on to -- how about your surrebuttal
14 Exhibit 24.3.

15 A. I'm there. This includes costs with some
16 adjustments for the Focused Energy for Life project,
17 our public education campaign.

18 Q. If I understand your earlier testimony
19 correctly, there are some expenses on 24.3 that may
20 also appear on some of your rebuttal attachments but
21 you're not seeking to recover them twice. I'm not
22 suggesting that at all, but just so I understand,

1 there's some duplication, right?

2 A. Yes.

3 What we did with this exhibit was to
4 list all the Focused Energy for Life related amounts
5 and then showed the adjustments for those that we
6 disallowed so that there was an understanding of what
7 we were asking to recover, and that total number is
8 at the bottom of page 15.

9 Q. I'm sorry. Say that again, please.

10 A. The total amount after the adjustments is
11 at the bottom of page 15.

12 Q. Oh, okay. Thank you.

13 For example, on page 5 of that
14 exhibit, when I look at the description of work under
15 customer benefit columns, every one of those appears
16 to be pretty much identical to the others on that
17 page.

18 A. Correct.

19 Q. How would anyone know what kind of value
20 was gotten from these expenses?

21 A. This information is also listed in the
22 first exhibit we started with so there's information

1 there also.

2 The value for the Simantel expenses
3 were basically for the strategic planning and
4 implementation of the campaign, and that was done
5 pretty much on a monthly basis so that's why there
6 are quite a few that are exactly alike. I would
7 guess those are monthly charges.

8 Q. Well...

9 A. I would have to check the other for more
10 information. Do you have specific ones?

11 Q. Well, I was just wondering, looking at, in
12 particular, page 5, every one appears to be the same
13 and how does anyone outside of Ameren know what
14 they're supposed to get out of this?

15 A. I think the attempt was made here to show
16 in a small amount of space what the information was
17 with each purchase order and voucher, what was done
18 with each without seeing the entire invoice which was
19 submitted.

20 Q. Oh, that DR response?

21 A. Uh-huh.

22 MR. KENNEDY: Well, just so it's clear, the

1 company submitted its invoice in its April 20 filing,
2 so the vouchers that she's referring to are the ones
3 that were in the file.

4 JUDGE ALBERS: Okay. Thank you.

5 Ms. Lusson, do you have anything or
6 Mr. O'Brien?

7 MR. O'BRIEN: One moment, Your Honor.

8 (Pause)

9 MR. O'BRIEN: Your Honor, the People have no
10 questions for Ms. Pagel.

11 MR. KENNEDY: The company and staff have come
12 to an agreement to stipulate to a DR in the record.
13 I think Jim has copies of that.

14 MS. LUCKEY: We move for admission into
15 evidence Staff Cross Exhibit 3.

16 (Whereupon Staff Cross Exhibit 3
17 was marked for identification as
18 of this date.)

19 MR. OLIVERO: And, Your Honor, just to make
20 clear, this is a DR response to KC 17.03 and the
21 attachment to that data request and the data response
22 that was prepared by Ms. Pagel.

1 MR. KENNEDY: And, Your Honor, it's a copy of
2 the contract that Judge Albers had questions about of
3 the vendor earlier.

4 JUDGE YODER: Any objection to the admission of
5 Staff Cross Exhibit 3?

6 MR. KENNEDY: No.

7 JUDGE YODER: Without any objection, that
8 exhibit will be admitted into evidence in this
9 docket.

10 (Whereupon Staff Cross Exhibit 3
11 was admitted into evidence at
12 this time.)

13 JUDGE YODER: You may step down.

14 MR. KENNEDY: Well, if I could have a couple
15 minutes.

16 JUDGE YODER: Oh, I thought you said you didn't
17 have any questions.

18 (Recess taken.)

19 JUDGE ALBERS: Back on the record.

20 Mr. Kennedy, do you have any
21 redirect?

22 MR. KENNEDY: The company has no redirect, Your

1 Honor.

2 JUDGE YODER: All right then. Is there any
3 objection to the admission of Ameren Exhibit 14.0
4 with accompanying exhibits or Ameren Exhibit 24.0
5 with accompanying exhibits?

6 Hearing nothing, those will be
7 admitted into evidence in this docket.

8 (Whereupon Ameren Exhibits 14.0
9 and 24.0 were admitted into
10 evidence at this time.)

11 JUDGE YODER: Now you may step down.

12 (Witness excused.)

13 JUDGE ALBERS: Ms. Lord, you were previously
14 sworn?

15 MS. LORD: Yes.

16 JUDGE ALBERS: Thank you.

17 MR. KENNEDY: Good afternoon, Ms. Lord.

18 MS. LORD: Good afternoon.

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GERALYNN LORD

called as a witness herein, on behalf of Ameren
Illinois Company, having been first duly sworn on her
oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KENNEDY:

Q. Would you please state and spell your name
for the record?

A. Geralynn Lord; G-e-r-a-l-y-n-n L-o-r-d.

Q. And what is your current business address?

A. 1901 Chouteau Avenue, C-h-o-u-t-e-a-u, in
St. Louis.

Q. And by whom are you employed, Ms. Lord?

A. Ameren Services Company.

Q. Do you have in front of you what was
previously marked and submitted to the Commission as
Ameren Exhibit 17.0, the rebuttal testimony of
Geralynn M. Lord?

A. Yes, I do.

Q. Do you also have in front of you what was
previously marked for identification as Ameren
Exhibit 25.0 with Exhibits 25.1 and 25.2, the

1 surrebuttal testimony of Geralynn M. Lord with
2 exhibits?

3 A. Yes.

4 Q. Was that testimony prepared by you or
5 prepared under your direction?

6 A. Yes, it was.

7 Q. Are the answers to the best of your
8 knowledge true and accurate?

9 A. Yes, they are.

10 Q. And if I were to ask you the same questions
11 today that were asked in your prefiled testimony,
12 would you give the same answers?

13 A. Yes, I would.

14 MR. KENNEDY: Your Honors, I'd like to tender
15 Ms. Lord for cross-examination.

16 I will say that the AG has reserved
17 time but we have worked out a deal to submit a joint
18 exhibit which I can do now. I have copies of it.
19 We'll call it Joint AG/Ameren Cross Exhibit 1.

20 JUDGE ALBERS: Is AARP also in on that?

21 MR. O'BRIEN: Yes, AARP also in on that.

22 MR. KENNEDY: Okay. AG/AARP/Ameren Cross

1 Exhibit 1, and there's going to be a public and a
2 confidential version of this, so why don't we call it
3 AG/AARP/Ameren Cross Exhibit 1-P and then for the
4 confidential 1-C if that works for Your Honors.

5 JUDGE ALBERS: That's fine.

6 (Whereupon AG/AARP/Ameren Cross
7 Exhibits 1-P and 1-C were marked
8 for identification as of this
9 date.)

10 MR. KENNEDY: For the record, what I've
11 distributed as AG/AARP/Ameren Cross Exhibits 1-C and
12 1-P are five data requests or five documents attached
13 to AG 6.24. They were AG 6.24 Attach 1 which was
14 designated confidential and proprietary, AG 6.24
15 Attach 2, Attach 10, Attach 11, and Attach 15 with
16 Attach 15 also being confidential and proprietary.

17 So again, those were five documents
18 that were amongst the attachments that the company
19 produced in response to data request AG 6.24. The
20 public version does not have the two confidential
21 documents, and I'm prepared to address any questions
22 of confidentiality if Your Honors have any.

1 JUDGE ALBERS: You know, you guys are killing
2 me when you give me one sheet of paper that says
3 confidential with like ten sheets.

4 MR. KENNEDY: Because it's that extra piece of
5 paper?

6 JUDGE ALBERS: Well, no. It's just that every
7 single word is confidential on this?

8 MS. LUSSON: I guess I would be interested in
9 hearing why the company believes they are
10 confidential.

11 MR. KENNEDY: The two documents in question are
12 marketing memos that were produced by the vendor
13 Simantel, which is S-i-m-a-n-t-e-l, about marketing
14 strategies for the company for 2012 and for late
15 2011, and our position is that the marketing strategy
16 documents are confidential. They're not disclosed to
17 the public, and they're advice that's been given by
18 the vendor to Ameren how to design its messaging.

19 MS. LUSSON: So are you saying that it's
20 confidential with respect to Simantel or Ameren?

21 MR. KENNEDY: With respect to Ameren.

22 JUDGE ALBERS: What are you marketing being a

1 transmission/distribution utility?

2 MR. KENNEDY: It's marketing related to the
3 messaging that the company does so it's just
4 marketing materials.

5 MS. LUSSON: I mean, Your Honor, to the extent
6 that Ameren is a monopoly distribution company, I
7 don't understand why the marketing plans would be
8 confidential. It has no competitors for
9 distribution.

10 MR. KENNEDY: I mean, the company's position is
11 that it's a trade secret that it doesn't want to put
12 out to the public for other competitors that are
13 competing with the vendor.

14 JUDGE ALBERS: So is it to protect Simantel,
15 the vendor, or --

16 MR. KENNEDY: No, because the vendor is not the
17 party here that's seeking protection. The company
18 is, so I can't say that it's the vendor seeking
19 protection.

20 MS. LUSSON: Well, I guess then that if that's
21 the rationale, then I think we would object to the
22 proprietary and confidential designation because how

1 Ameren markets itself as an electric distribution
2 company is not subject to competitive pressure since
3 it is a monopoly.

4 JUDGE ALBERS: Well, I don't think we have to
5 decide this particular question right now or today.
6 If you would like to prepare some type of --

7 MR. KENNEDY: Statement tomorrow morning to
8 address it?

9 JUDGE ALBERS: That would be fine.

10 MR. KENNEDY: Why don't we take it under
11 advisement. I'll speak to my client about it, and
12 we'll have a position for you in the morning.

13 JUDGE ALBERS: And it doesn't have to be
14 tomorrow. It can be later since the content of this
15 won't change. Just between now and whenever we rule
16 on it.

17 MR. KENNEDY: Okay.

18 JUDGE ALBERS: You guys talk to your client
19 tonight and see what kind of response you want to
20 prepare, and we'll schedule something then.

21 Okay. All right. Regardless of the
22 confidentiality designation then, is there any

1 objection to the admission of AG/AARP/Ameren Cross
2 Exhibit 1.

3 MR. KENNEDY: I'm not going to object to the
4 exhibit.

5 JUDGE ALBERS: Okay. No one else is? Staff is
6 okay with this?

7 I take it by Ms. Luckey's silence
8 there's no objection.

9 All right. Then it is admitted and
10 the confidentiality will be determined later.

11 (Whereupon AG/AARP/Ameren Cross
12 Exhibit 1 was admitted into
13 evidence at this time.)

14 JUDGE ALBERS: Any other questions from any of
15 the intervenors or staff for Ms. Lord?

16 MR. KENNEDY: No, I think we were just going to
17 let you ask your questions.

18 JUDGE ALBERS: All right.

19 CROSS-EXAMINATION

20 BY JUDGE ALBERS:

21 Q. Ms. Lord, I refer first...I understand from
22 Mr. Kennedy that you are familiar with Ameren

1 Exhibit 24.3 attached to Ms. Pagel's testimony?

2 A. 24 point -- which is that?

3 MR. KENNEDY: Do you have a copy?

4 THE WITNESS: I don't think so.

5 (Whereupon Mr. Kennedy handed a

6 document to the witness.)

7 THE WITNESS: Okay. I have it now.

8 Q. BY JUDGE ALBERS: And you're familiar with
9 the contents of this exhibit?

10 A. Yes.

11 Q. Okay. Turn to page 5.

12 A. Yes.

13 Q. You may recall I asked Ms. Pagel about the
14 contents of page 5 how a customer benefit and
15 description of work is nearly the same for each of
16 the entries.

17 Can you provide any more, shed any
18 more light on what these invoices are for? What the
19 company got in exchange for the amounts charged?

20 A. I will try.

21 Simantel is a communications firm
22 located in Peoria. It's not too far from the Ameren

1 Illinois headquarters office. They have a staff that
2 has website professionals, developers, designers.
3 They have the ability to host a website.

4 So Kids Act on Energy for example
5 which is the energy efficiency website for Ameren
6 Illinois Company, they design and host that website.
7 They have writers. They have designers who can do
8 layout and design of brochures, booth displays, any
9 manner of communications help that is needed. That
10 is the type of services that they provide.

11 They also do and interpret research,
12 customer research, and help develop communication
13 strategies based on that customer research for
14 clients such as Ameren Illinois.

15 And so the types of things -- without
16 having the description of the invoice, I can't go
17 into each one in particular, but the types of things
18 that would be covered in here would be for, the plan,
19 for example, that you saw the development of that
20 type of plan, to help the company to better
21 communicate with its customers based on the research
22 that's been conducted as to those topics that the

1 customers feel important for them to have more
2 information about, to help them know which channels
3 are most cost-effective to use in delivering those
4 messages, to help them create, develop and create and
5 implement those messages to the customers all under
6 that communications plan that they helped the company
7 to develop.

8 So while the Ameren Illinois team has
9 community relations coordinators who might go out and
10 meet with customers, deliver presentations to
11 seniors, what have you, a business symposium I think
12 was mentioned earlier, they do not have the people on
13 staff who can develop the say video presentation that
14 they might want to deliver, the power points that
15 they might want to deliver, the materials that they
16 might want to hand out to explain the programs or
17 services.

18 So those are the types of things that
19 that vendor would provide to Ameren Illinois Company.

20 Q. Okay. So in the context of this exhibit...

21 A. In the context of the public education
22 campaign, is that what you're asking?

1 Q. Yeah. You just cut ahead of me. Go ahead.

2 A. Sorry. Sorry. I apologize. Go ahead with
3 your question.

4 Q. I was just saying, in the context of this
5 exhibit, they helped develop or create and develop
6 the Focused Energy for Life --

7 A. Platform.

8 Q. -- plan, platform, and then helped deliver
9 it --

10 A. Yes.

11 Q. -- in the best way they could come up with
12 to facilitate customer understanding?

13 A. Yes, that would be correct.

14 Q. All right. You were going to add something
15 else. Go ahead. I didn't mean to cut you off.

16 A. I don't know if I remember what it was now.

17 In the context of the public education
18 campaign, they would have gone through the research
19 to determine what topics were most pertinent and then
20 develop the message.

21 So, for example, energy efficiency,
22 energy conservation are important to our customers.

1 We have information to help them control their energy
2 use cost, so they would have developed a mass media
3 commercial that then would direct customers to more
4 information at actonenergy.com which is the website
5 that lists all the programs and all the rebates and
6 tools available to the customer.

7 Another topic is safety, so they would
8 have produced commercials that talk about don't go
9 near a downed wire, they could be hidden under storm
10 debris, look up and about when you're working
11 outdoors. We have a lot of risk to people getting
12 electrocuted with overhead lines; that type of thing,
13 and also regarding reliability, enhancements that
14 we're making to the system to make sure that
15 customers understand, for example, what smart grid
16 is; that it's a way that Ameren installs equipment to
17 enhance reliability.

18 Customers are kind of confused about
19 smart grid and smart meters and those types of
20 things, and then to direct them to more information
21 online.

22 So those are the types of services

1 that would have been used by them under the public
2 education campaign.

3 Also, what types of enhancements we
4 need to make to our website so that the information
5 is accessible and clear when the customer is directed
6 there for more information; strategies around what
7 channels are the most cost-effective and efficient in
8 delivering the messages.

9 The world is going a lot more digital
10 so some of that is research into what digital
11 strategies we might use, things like that.

12 Q. Okay. If I understood your testimony right
13 then and what you've told me today on the stand, is
14 it fair to say that the Focused Energy for Life
15 platform is as much about education and sharing
16 information with customers as it is about creating a
17 unified positive brand for Ameren Illinois?

18 A. The purpose of the identity and education
19 initiative is to educate our customers on issues of
20 importance to them. Focused Energy for Life is a
21 platform on which we can do all that.

22 Does that make sense?

1 Q. Well, I think so. I was trying to
2 understand how you folded in the branding discussions
3 that occurred in your testimony and that of the other
4 parties as well as the attachments regarding your
5 efforts to improve the Ameren brand. I don't
6 remember now which particular witness attached which
7 particular documents to their testimony about, you
8 know, it came from Ameren and I think Simantel about
9 the benefits of good brand recognition. I was trying
10 to see how this all fits together.

11 Does that make any sense?

12 A. I'm not sure I understand your question.

13 Q. Well, it's more what I'm trying to
14 understand here.

15 Is Focused Energy for Life about -- is
16 it a means to deliver information, at least in part?

17 A. It's a platform for lack of a better way to
18 explain it. It's a platform that ties all of our
19 messaging together as all from Ameren. It's a
20 platform on which the messages are delivered.

21 Q. Okay. Well, if I look at some of the
22 exhibits -- I think I understand that now, but if I

1 look at some of the exhibits discussing brand though,
2 there's some references here and there in those
3 exhibits that come from Ameren talking about the
4 benefits to relations with customers, investors and
5 regulators that come from having a positive brand
6 image.

7 Would you agree with that, that that's
8 contained in those exhibits?

9 A. Can you direct me to the exhibit that
10 you're referring to?

11 Q. I think I can. It was in AG/AARP
12 Exhibit 3.4 if you happen to have that handy.

13 MR. KENNEDY: Your Honors, I gave her a copy of
14 Mr. Brosch's rebuttal testimony, 3.0, and directed
15 her to page 39. I don't happen to have a copy of the
16 3.4 exhibit itself.

17 MR. O'BRIEN: Your Honor, the People do have a
18 copy of 3.4.

19 JUDGE ALBERS: Okay. Show it to Mr. Kennedy.

20 MR. KENNEDY: Yeah, if you can provide Ms. Lord
21 a copy. She's seen the documentation. I just don't
22 have it with me.

1 THE WITNESS: I just want to make sure I know
2 which one you're referring to.

3 JUDGE ALBERS: I realize 3.4 has been marked
4 confidential. I'm going to try to avoid...

5 MR. KENNEDY: Well, the reason I mention this
6 is if you look at the messages on page 39 of his
7 testimony, those were marked unconfidential for
8 purposes of filing that testimony, so you may want to
9 key in on those particular words there that were
10 quoted by Mr. Brosch. That may help along the
11 conversation if you have his rebuttal.

12 Does that help?

13 JUDGE ALBERS: Yes.

14 THE WITNESS: Okay. Got it.

15 Q. BY JUDGE ALBERS: If you want to look at
16 page 39 of Mr. Brosch's rebuttal, that provides a
17 bullet point format.

18 A. Yeah, okay. I know exactly what you're
19 referring to now.

20 Q. Okay.

21 A. This was something that our communications
22 department, Simantel, came to us with and suggested

1 that they'd do research on this topic for us, and the
2 topic was whether or not there was a relationship
3 between brand and shareholder value, and they had
4 located a company called Core Brand that says that
5 they research this for utility companies in
6 particular, and so we asked them to go ahead and
7 pursue researching that methodology with Core Brand.

8 After we reviewed the methodology, we
9 did not believe it was valid or accurate. We elected
10 to not do business with the company, and I also in my
11 rebuttal testimony noted that I felt that those
12 expenses should not have been included in this rate
13 case.

14 So we have in the rebuttal suggested
15 that those costs be disallowed, and I believe that
16 was around 4,000 -- I don't have the exact number in
17 front of me -- 4,800 and something.

18 Q. I remember that, and I'm not questioning
19 any particular Core Brand expense per se. I was more
20 interested in general concepts in terms of it
21 appeared to me that at least part of the Focused
22 Energy for Life platform and, you know, other steps

1 Ameren was taking were to promote a positive image.

2 Maybe I can ask my question and if you
3 disagree, feel free to tell me.

4 A. Okay.

5 Q. You know, the thought that crosses my mind,
6 if you're looking to, you know, create a positive
7 brand which in theory or hypothetically could improve
8 relations with customers, investors and regulators,
9 does anyone within Ameren Illinois consider the
10 impact on brand in light of some of the expenses that
11 Ms. Pagel and I discussed being passed on to
12 customers?

13 Do you understand the question?

14 A. I'm not sure. Are you saying that it's
15 negative that we have P card expenses?

16 Q. For example, some of those, yes.

17 A. The descriptions to which don't come across
18 as seemingly beneficial, is that what you mean?

19 Q. Some of them may not appear beneficial but,
20 for example, like the Savvi Formalwear and Eddie
21 Bauer expenses, those.

22 A. I think you meant Lands End.

1 Q. Well, there's Eddie Bauer and Lands End in
2 there.

3 A. Oh, okay.

4 Q. I mean, do they seem to contravene the
5 positive image that any company would want promoted?

6 A. Well, I think Lands End has a line of
7 branded products wear that are shirts that you can
8 have your, they're just a simple polo type or button
9 down that you can have your logo put onto. They are
10 a vendor, not just a retail vendor, but they are also
11 a vendor to business for logo wear.

12 So the Lands End for example would be
13 if a group were going to an event to man a booth,
14 they might order shirts with the logo on them from
15 Ameren Illinois.

16 So if you just see Lands End, it might
17 not make sense but...

18 Q. Right. I understand that. I appreciate,
19 you know, you want to have employees identified as
20 Ameren employees at booths. I'm not taking issue
21 with that. I'm just thinking in terms of the
22 discussion of image that has been provided on the

1 record.

2 Is there anyone at Ameren that thinks
3 about how these particular actions may affect the
4 image to the company?

5 A. Well, I think without looking at what's on
6 the receipt, I don't have those. I don't know what
7 they are, and maybe by the way something is named,
8 the Easter seals event that was referenced, that's a
9 big fundraiser for them every year that helps kids
10 with disabilities, so I'm not sure that I can address
11 what you're saying adequately regarding how expenses
12 that are paid for on a card as opposed to some other
13 way and the way that they are categorized, how that
14 might impact what somebody thinks the money is spent
15 for without looking at the actual receipts to say,
16 okay, this was for a plane ticket to go to a
17 conference or this was for meals for people who were
18 doing storm duty or something like that.

19 JUDGE ALBERS: I understand.

20 MR. KENNEDY: Let me ask this question. Are
21 you trying to ask her if the company considers the
22 impact of the cost before it incurs it, how it

1 impacts the brand? Is that what you're trying to get
2 at, or are you thinking after the fact?

3 JUDGE ALBERS: Well, I suppose you can look at
4 it either way. I suppose ideally before you include
5 the cost but if there is such concern about the
6 company image.

7 THE WITNESS: I can say from experience that we
8 talk at length in our company about our core values
9 of integrity and stewardship and teamwork and
10 accountability, and people understand that they have
11 a role to be responsible and to be prudent in working
12 on behalf of our customers, and so I think that when
13 people use their purchase card to purchase something,
14 they do it in the best faith of doing their job to
15 serve the customer.

16 There is a lot of emphasis put on our
17 values and our responsibility of our mission to serve
18 our customers in a safe, efficient, cost-effective,
19 environmentally responsible manner. It's very well
20 understood by the people who work at Ameren.

21 JUDGE ALBERS: All right. Well, thank you. I
22 think you helped me understand Focused Energy for

1 Life platform better as well.

2 Did you have any redirect?

3 MR. KENNEDY: No. I think you asked some great
4 questions.

5 JUDGE ALBERS: All right. Well, any objection
6 then to Ms. Lord's testimony?

7 Hearing none, then Ameren
8 Exhibits 17.0 and 25.0 through 25.2 are admitted.

9 (Whereupon Ameren Exhibits 17.0
10 and 25.0 through 25.2 were
11 admitted into evidence at this
12 time.)

13 JUDGE ALBERS: Thank you, Ms. Lord.

14 (Witness excused.)

15 JUDGE ALBERS: All right. I think that's the
16 end of our witnesses for today.

17 MR. O'BRIEN: Your Honor, just quickly, to
18 clarify from my notes here before we move on, the
19 AG/AARP/Ameren cross exhibit was admitted, correct?

20 JUDGE ALBERS: Yes.

21 MR. O'BRIEN: Okay. I just wanted to make
22 sure.

1 JUDGE ALBERS: And for now we'll keep it
2 confidential, and then we'll talk about the
3 confidentiality of it once Mr. Kennedy has a chance
4 to talk to his client about some way to address the
5 different viewpoints on that.

6 Does that make sense?

7 MR. O'BRIEN: Absolutely.

8 MS. LUSSON: Your Honor, I don't know if this
9 is the appropriate time or not but the discussion of
10 Mr. Brosch's Exhibit 3.4, if, in fact, it is labeled
11 confidential, I guess I would have the same question
12 of the company. You know, what is the purpose of
13 that confidential designation?

14 MR. KENNEDY: Right, and we'll check, and we'll
15 look at both the company's perspective, and I'm going
16 to inquire as to whether there's any agreements with
17 the vendor about producing work product.

18 There's two sets of documents that
19 were marked confidential. Some of them were vendor
20 work product. Other documents were Ameren documents
21 that had marketing strategies in them, so I'll look
22 at it from both points of view, and maybe I'll have

1 two positions for that tomorrow for both 3.4 and the
2 cross exhibit.

3 JUDGE ALBERS: Thank you.

4 All right. I don't think there's
5 anything else for today. Why don't we start at --

6 MR. OLIVERO: Your Honor, we had one item that
7 we had meant to put in as a stipulated cross exhibit
8 through Mr. Nelson, the first witness, and we were
9 wondering if we could do that now.

10 JUDGE ALBERS: It's okay with me.

11 MR. OLIVERO: The company and staff had agreed
12 to enter into evidence what I've designated as Staff
13 Cross Exhibit 4, MHE 6.01 and 6.02.

14 (Whereupon Staff Cross Exhibit 4
15 was marked for identification as
16 of this date.)

17 JUDGE ALBERS: Any objection to Staff Cross
18 Exhibit 4?

19 Hearing none, it's admitted.

20 (Whereupon Staff Cross Exhibit 4
21 was admitted into evidence at
22 this time.)

1 MR. OLIVERO: Thank you.

2 JUDGE ALBERS: If nothing further for today
3 then, we'll continue this matter to tomorrow morning
4 at 9 o'clock.

5 (Whereupon the hearing was
6 continued to September 13, 2012
7 at 9:00 a.m.)

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